FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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A vicious race to develop new products, Page 14

NEWS SUMMARY

GENERAL

Israelis seek UN approach to Syria

The new Israeli Government led by Mr Shimon Peres is seeking United Nations mediation with Syria to pave the way for a withdrawal of Israeli troops from southern Lebanon within "several months."

Both Mr Peres and his defence minister Mr Yitzhak Rabin have identified Syria as the key to Israeli withdrawal.

Tonight Mr Peres is due to meet UN under-secretary general Brian Urquhart. Page 16

Hyderabad curfew

A curfew was reimposed on parts of Hyderabad in south India after a Moslem rickshaw driver was stabbed to death in renewed communal violence.

UK rejects charges

The British Government rejected as "absurd" allegations by Soviet journalist Oleg Bitov that he had been kidnapped and tortured by the British secret service. Page 3

Miners killed

Several black miners were killed and injured in Johannesburg as police used teargas, rubber bullets and birdshot in unrest at a gold mine.

W. German pollution

West Germany's three coalition parties have agreed that from the start of 1989 all new cars must be fitted with catalytic converters to reduce pollution.

More German cars

West Germany produced 282,000 cars last month, 14 per cent more than in August last year, as manufacturers stepped up output, including exports, in the wake of labour troubles earlier this year. Commercial vehicle production was down, however. Page 2

Balloonist triumphs

American balloonist Joe Kittinger broke his foot upon landing in Italy after a record-making transatlantic crossing in his craft, the Rosie O'Grady.

Air crash kills 10

At least 10 people were killed when a DC-8 cargo jet hit a perimeter fence while taking off from Quito, Ecuador, and crashed into a row of houses.

Anti-Fascist dies

Riccardo Lombardi, an important figure in the Italian anti-Fascist resistance and a leading member of the Socialist Party, died aged 83.

Philippines clash

At least 20 people, including 12 soldiers, were killed in two clashes with communist insurgents in the southern Philippines.

Angola toll

Angolan rebels claimed to have killed 76 government soldiers and 12 Cubans and to have destroyed a tank and a helicopter in fighting in three provinces.

Spain-Guatemala tie

Spain and Guatemala will this week resume diplomatic relations which were broken four years ago after Guatemalan police stormed the Spanish embassy in Guatemala City.

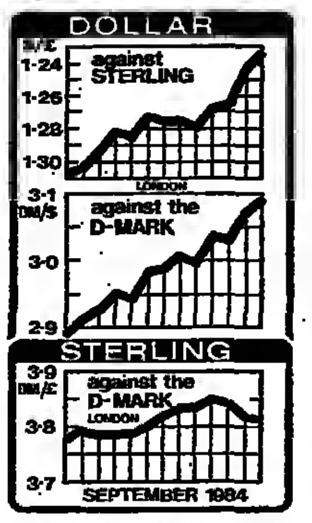
Afghans defect

Three senior officials of the Afghan state airline Ariana defected in New Delhi in protest against what they called the killing of innocent civilians by Soviet and Afghan security forces.

BUSINESS

Argentina to seek standby loan

ARGENTINA will ask the IMF for SDR 1.4bn ($1.43bn) as part of a 15-month standby loan, Economy Minister Bernardo Grinspun said. He said he had concluded a memorandum of understanding with the IMF but said Director Jacques de Larosière must formally recommended the agreement to the IMF board.



DOLLAR improved in London to DM 3.0915 (DM 3.072), SwFr 2.541 (SwFr 2.5275) and a record high of FFr 9.4925 (FFr 9.425). The dollar fell, however, to Y246.15 (Y247.15). On Bank of England figures, its trade-weighted index rose to a record 142.7 (142.1). In New York it closed at DM 3.081; FFr 9.455, SwFr 2.5305 and Y245.05. Page 35

STERLING closed at $1.233 in London, a fall of 90 points. It also fell to DM 3.8125 (DM 3.8175), SwFr 3.1325 (SwFr 3.1375) and Y303.5 (Y307.0) but improved to FFr 11.725 (FFr 11.7125). Its trade-weighted index fell to 78.6 from 79.0. In New York it closed at $1.2415. Page 35

GOLD rose by $2 an ounce on the London bullion market to finish at $338.00. It also improved in Frankfurt to $338.75 and in Zurich to $337.75. In New York, the Comex September settlement was $340.90. Page 34

WALL STREET: The Dow Jones industrial average closed 10.62 down at 1,226.26. Section III

LONDON stocks were unsettled with the continued weakness of sterling against the dollar and the FT Industrial Ordinary index slipped 1.0 to 858.9 Section III

TOKYO shares were depressed by the yen's sharp slide against the dollar and the Nikkei Dow market average closed 77.21 down at 10,559.15. Section III

BANCO AMBROSIANO, which went into liquidation in 1982, was ordered to pay L30bn ($15.8m) damages to the Italian state for its part in illegal currency transactions. Page 16

CHILE's military Government has devalued the peso by 19 per cent against the dollar. Page 5

UNITED TECHNOLOGIES president Robert Carlson resigned yesterday after apparent disagreements on policy with the company's founder, chairman and chief executive, Mr Harry Gray. Page 17

SONY, the Japanese electronics manufacturer, has more than trebled its group net profits in the nine months to July 31 to Y54.26bn ($219m) from Y17.11bn a year earlier. Page 18

BUNDESBANK believes recent new issues of shares in West Germany may have been underpriced because of lack of competition between issuing institutions. Page 17

Production difficulties in London may have resulted in typographical errors in unit trusts, some advertisements and elsewhere in today's edition.

$ strong again but profit-taking trims its gains

BY PHILIP STEPHENS IN LONDON

THE DOLLAR surged then fell back in hectic and volatile foreign exchange trading yesterday as its recent gains prompted growing concern among European central banks.

The U.S. currency registered new records against sterling and other leading currencies before profit-taking towards the end of European trading eroded most of the gains.

The pound also suffered heavy initial losses against other currencies, but recovered somewhat as the dollar fell from early highs and UK dockworkers announced an end to their strike.

At one stage the dollar hit parity with Ireland's punt and at lunchtime on the Dublin foreign exchange market the punt was being quoted at just below $1 for the first time. By the London close, however, it had recovered to $1.0035.

The latest dollar surge, which at one stage took it to DM 3.12, caused bewilderment and concern among European central bankers.

In New York the dollar's recent record-breaking rise was also halted, at least temporarily, as profit takers stepped into the foreign exchange markets.

Against the D-Mark the U.S. currency fell for the first time in eight consecutive New York trading sessions to close at DM 3.081 after reaching the DM 3.11 level in early trading.

The dollar, which began to lose ground in Europe earlier in the day, closed at $1.2415 against sterling, FFr 9.455 and Y245.05.

The retreat in New York came despite unchanged to very marginally firm U.S. short-term interest rates.

The U.S. currency's strength is expected to provide the focal point for discussion at gatherings of the central bankers in Washington this week, ahead of the annual meeting of the International Monetary Fund.

There is little confidence among senior European officials, however, that any concerted action can be agreed to try to halt the trend.

Mr Donald Regan, U.S. Treasury Secretary, said in an interview yesterday that Washington shared Europe's worries, but would intervene only if the markets became disorderly.

Mr Regan made clear that he did not believe that the present situation merited such action.

Foreign exchange dealers could offer no particular explanation for the dollar's rise, except that confidence in the strength of the U.S. economy and the apparent certainty that President Reagan would win November's elections was generating a self-sustaining momentum.

Its vulnerability to profit-taking as it reaches new peaks, however, was shown in a sharp retreat from the highs of the day.

The dollar closed in London at DM 3.0915, nearly two pfennigs higher than Monday but well below its best levels.

Its trade-weighted index against a basket of currencies rose to a record 142.7 from 142.1 according to Bank of England calculations.

Sterling ended the day in London 0.9 cents down at $1.2330, but was well above its low of $1.2160.

Similarly, the pound's trade-weighted index closed 0.4 points lower at 78.6 but was up from the 78.0 recorded in earlier dealings.

Sterling's trade-weighted value is now at its lowest since 1976 and the current nervousness in London's financial markets was reflected in a further small rise in money market interest rates.

UK public-sector borrowing, Page 12; Wall Street report, Page 25; Money markets, Page 35

EEC bid to allay U.S. fears on steel imports

By Paul Cheeseright in Brussels and Stewart Fleming in Washingtnn

THE EUROPEAN Community yesterday offered to hold talks with the Reagan Administration to allay fears in the U.S. over rising steel imports.

The talks would focus on the issue of steel pipe and tube shipments but would exclude any discussion of change to the 1982 agreement limiting EEC carbon steel shipments to the U.S.

The proposal, made in a message sent to Washington by Viscount Etienne Davignon, EEC Industry Commissioner, came as President Ronald Reagan neared a decision on whether to curb steel imports.

He has until next Monday to act on recommendations by the U.S. International Trade Commission to impose curbs, and was to meet the Cabinet Council on Commerce and Trade last night to discuss the issue.

Since July, there have been widespread fears in the EEC that the agreement, which regulates the level of trade in basic steel products, might be unilaterally overturned by a U.S. decision to impose extra tariffs and quotas to curb the rising tide of imports, mainly from Third World steel-producing oations.

The need for a U.S. ruling arises from a recommendation by the U.S. International Trade Commission (ITC) for higher protection. The ITC based its recommendation on findings that U.S. industry was being harmed. It did so after n complaint from Bethlehem Steel, one of the country's largest steel producers.

The 1982 EEC-U.S. agreement does not cover pipes and tubes, sales of which have recently been increasing in the U.S. market. EEC shipments in 1982 were 1.078m tonnes. In 1983 they fell to 500,000 tonnes but this year are expected to climb back to 1982 levels. They account for 14.9 per cent of the U.S. market.

The American industry has become increasingly perturbed about the scale of such imports. The EEC offer of talks is clearly designed as a manceuvre to persuade the Reagan Administration to hold the line on the 1982 agreement.

Should the U.S. take action that damages that agreement, a sharp deterioration in transatlantic trade relations is feared. The EEC has consistently maintained that it has observed the agreement to the letter, and that overall steel sales in the U.S. had dropped 27 per cent last year from the 1982 level.

Although EEC officials yesterday

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Massey may sell French combine plant

BY PAUL BETTS IN PARIS

MASSEY-FERGUSON, the Canadian farm machinery manufacturer, has given strong indications that it will cease producing combine harvesters at its factory at Marquette in north-eastern France.

The group has decided to keep the Marquette plant closed for another three months, laying off 1,400 workers until the end of the year. The plant has been closed since June, when Massey-Ferguson laid off the workforce for three months.

The plant, which also makes balers and components, has been a big financial drain on the group, running up losses of about $20m a year. Sales of combine harvesters from Marquette slumped to only 503 units for the last 12-month period, compared with an already low 707 units the year before.

Massey-Fergusan is trying to find industrial partners or eventual buyers for the plant, but it acknowledges that the depressed state of the market makes it difficult to foresee any resumption of production.

In July, Massey-Ferguson announced that Dronningborg, of Denmark, would start moking a range of combines to be sold initially together with the Marquette models.

Massey-Ferguson has sent some 500 brochures about Marquette to potential purchasers of the plant.

The company hopes to attract partners or buyers who might want to start a new manufacturing activity by offering cheap fixed assets in Marquette. The Canadian company claims it would be difficult for it to justify keeping the plant open.

While the combine harvester business may now have become "a dead duck", according to a senior Massey-Ferguson executive, complementary or compatible industrial activities could be found for Marquette. The company envisages such a possibility with the existing baler manufacturing operations at the plant.

Massey-Ferguson, which has invested some FFr 25m ($2.4m) at Marquette in the last six months, believes the future of the plant would become "very bleak" if it cannot find a suitable industrial solution by the end of the year.

The Marquette issue is particularly delicale because it directly involves the French Government, which advanced FFr 100m to Massey-Ferguson last year in subordinated loans as part of a restructuring programme of the Canadian group's French operations. Those include the Marquette plant and a large tractor factory at Beauvais.

French Government officials confirmed yesterday that the future of

Continued on Page 16

Export-led growth rise seen for W. Germany

BY JOHN DAVIES IN FRANKFURT

THE WEST GERMAN economy seems set for further healthy growth with a particular boost from exports, according to the Bundesbank, the country's central bank.

In a generally confident economic assessment, the Bundesbank says West German products have good export prospects in view of low domestic inflatioo and favourable world economic trends.

The central bank, setting out its views in its latest monthly report, is at pains to emphasise the signs of renewed economic recovery and to dismiss any lingering pessimism in the wake of the labour conflict over shorter working hours in the metal industry in May and June.

After two years of declining output, West Germany achieved a moderate 1.3 per cent lift in gross national product (GNP) last year, and the Economics Ministry has been reckoning lately on 2.5 per cent growth this year, somewhat less than the Government originally hoped to see.

The Bundesbank says the dispute in the metal industry, which led to seven weeks of strikes and lockouts, seems likely to force West Germany to lower its original hopes for growth and employment this year.

However, the economy has quickly got into its stride again, it says, after registering a fall of almost 1.5 per cent in GNP in the second quarter, taking account of adjustments for seasonal factors.

Efforts to catch up on lost production would probably touch off further momentum in the economy, and the resulting growth in income should stimulate economic demand.

The central bank says that economic prospects in West Germany will depend greatly on investment decisions and, although the labour conflict may have affected investment plans, orders for capital goods seem to have picked up since then.

Businesses are facing growing pressure to keep up technologically with competitors at home and abroad, it adds. Moreover, many investment plans cannot be delayed much longer because existing plant has become antiquated as replacement has already been put off for some years.

The Bundesbank also sees prospects of further export orders for capital equipment in view of signs of an investment revival abroad.

Continued on Page 16
Car production soars, Page 2

UK transport union calls off dock strike

BY OUR LABOUR STAFF IN LONDON

BRITAIN'S DOCK strike was called off yesterday when a transport union conference voted overwhelmingly to end the stoppage, the second oational port strike this summer.

Work is expected to resume again at all UK docks today as dockers report back for work after the three-week stoppage. But in the mining industry, where the dispute over pit closures is now in its 28th week, the return-to-work movement appeared to be losing momentum.

The National Coal Board (NCB) had hoped that the drift back to work would accelerate after the breakdown of talks last week with the National Union of Mineworkers (NUM).

NCB officials believe that, as well as being deterred by continuing picketing and intimidation, many miners still think that talks can resolve the issue – particularly since the Advisory, Conciliation and Arbitration Service (Acas) is now involved.

The deal that ended the dock strike is seen by employers as a face-saving one for the Transport and General Workers' Union (TGWU), which managed to bring out little more than a third of the 25,000-strong docks and waterways workforce.

The agreement is based on a quota arrangement for coal supplies to the Ravenscraig steelworks from the Hunterston bulk terminal on the Clyde. It will give the British Steel Corporation 18,000 tonnes in the next four weeks, rising after eight weeks to the 22,500 tonnes the corporation wants.

The dispute began when British Steel unloaded a ship with coal for Ravenscraig after dockers refused

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Dutch budget aims for reduced deficit along with lower taxes

BY PATRICK FARNON IN AMSTERDAM

THE DUTCH budget for 1985, outlined to parliament yesterday, aims for a reduced deficit through public spending cuts while taxes are trimmed and industry bolstered. Employment available is intended to be shared more widely.

Mr Onno Ruding, the Finance Minister, said the economy had reached an "historic turning point." Public expenditure is down for the first time for many years, investment has risen, and wages and the currency are relatively steady.

The main objective of the centre-right Government's financial strategy has been to reduce the budget deficit. It will fall to 10.5 per cent of national income in 1984 and 8.2 per cent next year. As a percentage of national income, the burden of social charges will be down by 1.5 per cent this year and 1.8 per cent in 1985.

Total government expenditure is estimated at Fl 164.2bn ($47.4bn), with revenues of Fl 134.8bn, leaving a deficit of Fl 29.4bn.

Government spending cuts announced in August will total Fl 9.3bn next year. Some Fl 3.1bn of that will be found from the national budget, Fl 2.5bn from social security benefits, Fl 2.5bn from civil servants' employment conditions, and Fl 2.5bn from the health sector.

Benefit for the unemployed and disabled will fall to 70 per cent of final salary and to 75 per cent for people on sickness benefit. In addition, on adjustment will be made for inflation in either social security benefits or the statutory minimum wage.

Pensions in the public sector and associated industries are to be cut and family allowances will be frozen.

A series of industry relief measures, worth Fl 1.5bn, will again be introduced next year. The main benefit will be in reduced employer contributions to the social security funds.

Other measures are aimed at easing labour mobility, encouraging investment and helping people to start their own businesses.

For the first time for many years there will be no increase in taxation. Rather, government tax revenues will be down, lightening the public burden by Fl 485m.

The main feature of the 1985 tax scheme, part of a three-tier plan started in 1984, is to shift the burden of taxation from households with one wage-earner to two-income homes, and to treat unmarried couples living together on the same basis as married couples.

Wage restraint, the Government says, will continue in the private sector with three quarters of the workforce surrendering cost-of-living increases in return. It is hoped that will create jobs. Private-sector pay is expected to rise by 1 per cent.

Unemployment is forecast to hold steady around this year's level of 17.8 per cent. According to the official reckoning, industry will create 9,000 jobs in 1985. The Government has allocated Fl 1bn over the three years to 1986 for various youth employment programmes with which it hopes to create 20,000 jobs. A 1 per cent reduction across the board in public-service working hours will supply another 20,000.

CONTENTS

Dutch aid changes proposed

By Peter Spinks

CHANGES to the Netherlands' system of development aid, including dropping several target countries and boosting Dutch business prospects in the Third World, were presented in a policy document by Mrs Eegse Schoo, Minister of Development Co-operation, in The Hague parliament.

Although strongly criticised by the opposition Labour Party and centre Christian Democrats, the proposals are expected to pass largely unamended during voting next month.

With e development aid budget set at just under 1 per cent of Gross National Product, the Netherlands *currently ranks second behind* Norway in the world-donor league.

Mrs Schoo responded to the complaint that over a third of this money is inefficiently spent by proposing more private sector involvement, particularly small businesses like *management consultancy* bureaux. She also envisages spending a higher proportion of aid (currently about 50 per cent) on buying Dutch products.

Car output up 14% in West Germany

BY JOHN DAVIES IN FRANKFURT

CAR MAKERS in West Germany have made progress in their efforts to step up production and exports in the wake of labour troubles earlier this year.

A total of 282,000 cars rolled off the assembly lines last month, 14 per cent more than in August last year. Commercial vehicle productinn, however, which has been suffering from weak demand, was sligbtly down on e year ago at 18,400.

In an effort to avoid missing out oo solid demand abroad, the industry boosted exports of motor vehicles last month to 174,400 nearly a third more than in August last year.

West Germany's motor vehicle output and exports since the beginning nf the year are still trailing last year's performance. because of the seven-week conflict which virtually crippled the industry in May and June.

West German factories have produced 2.3m cars in the first eight mnnths of this year, 7.8 per cent *fewer than a year ago. Commercial* vehicle output is running 11.6 per cent behind last year at 158,100.

Exports have not been hit quite so much. Since the beginning of the year 1.43m cars and commercial vehicles have beeo exported, 5 per cent below the same period last year.

Employees in some car factories agreed to work during the normal holiday shutdown this year to help make up for the production lost during the labour conflict. As a result *output* in July was also higher than usual.

Manufacturers estimate that they lost output of more than 400,000 vehicles during the dispute in which they were the chief target of IG Metall, the metalworkers' union, in its campaign for shorter working hours.

In accordance with the compromise agreement which ended the dispute, the companies have been preparing plans to introduce a working week of an average of 38.5 hours early next year.

Volkswagen has agreed with union negotiators to introduce shorter hours in the form of nine extra *days off a year*, while keeping a basic eight-hour working day. It is also making the coocession from January 1, three months before other metal industry employers.

Reaction by Bonn attacked

By Leslie Colitt in Berlin

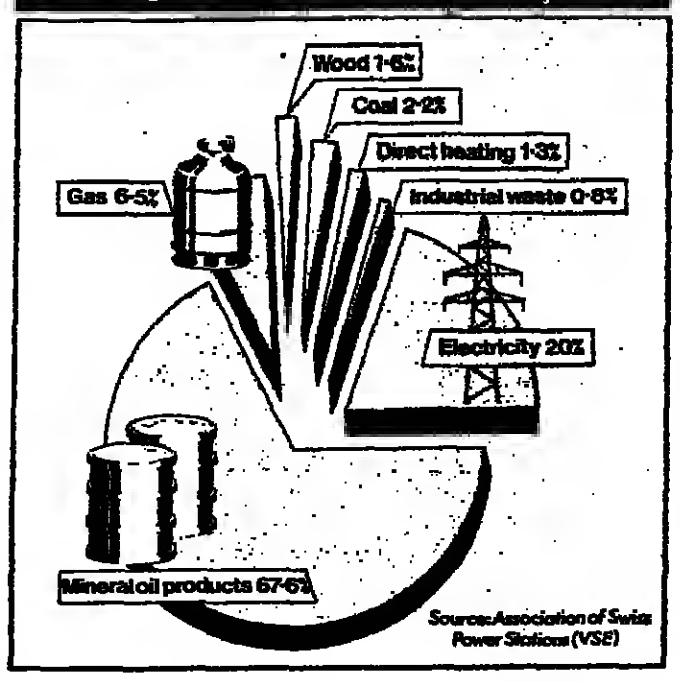
EAST GERMANY has criticised the Bonn Government's sharp rejection of remarks last week by Sig Giulio Andreotti, Italy's Foreign Minister, who said East and West Germany should remain divided.

The main East German Communist newspaper, Neues Deutschland, yesterday called Bonn's hefty reactinn "scandalous." It said that West Germany could not be in favour of *good relations* with *East Germany* while becoming agitated when foreign governments said there were two German states.

Neues Deutschland said the "hour of truth" had come for the Bonn Government. It said Bonn could not ignore recognition of the "political realities" in Europe which were a precondition for dialogue

The newspaper again raised East Germany's demands that Bonn recognise East German citizenship; the middle of the Elbe River as the East-West German border; an exchange of *ambassadors between* Bonn and East Berlin; and the abolition of the West German agency which keeps a criminal record of East German border shootings.

SWISS ENERGY SHARES, 1983



Switzerland to vote again on future of nuclear power

BY JOHN WICKS IN ZURICH

YEARS OF AGITATION by the Swiss anti-nuclear lobby are coming to a climax. On Sunday the *electorate will vote* nn *two* referendum motions designed to block further nuclear development in a country that derives *almost a third of its* electric power from nuclear statinns.

Both proposals are opposed by the Government and by industry and business. Earlier this year, public opinion was evenly divided. It now appears to have swung in favour of noclear power. But, if the referendums produce a heavy anti-nuclear vote, even if it falls short of a majority, the Government is likely to go part of the way toward bowing to that sentiment. That is how Swiss politics works.

The two motions have the same parentage. They have been launched by the Swiss Energy Foundation, a body set up by some 50 environmental protection and anti-nuclear organisations after the failure in February, 1979, of the so-called "nuclear motion." If passed, that motion would have made the building of more nuclear power stations and the continued operation of existing units subject to express parliamentary approval, with veto rights for local residents on the granting of concessions.

One of the new proposals is aimed directly at nuclear power and bears the unambiguous title "For a future withoot further atomic power stations." It would amend the federal constitution to lay down that no new nuclear power stations may be built and no existing ones replaced once they reach the end of their lives. No new industrial-scale plants could be set up for the production, refinement or re-cycling of nuclear fuels in Switzerland. Only "hnme-made" nuclear *waste could be stored in the* country.

The second proposal, known as the energy "motion" for *short, gives its aims as* the "safe, economical and environmentally acceptable supply of energy." Again the constitution *would* be *amended, this* time primarily to keep power consumption to a minimum and encourage the development of alternative power sources. Money received would come from the taxation of fossil, nnclear and hydro-electricity. Although atomic power is hardly mentioned in the amendment, approval of the motion would in practice sound the death-knell fnr any expansion of nuclear capacity.

Tha Federal Council (Cabinet) and Parliament have recommended the rejection of both motions. As in previous votes, there is something of a split along party lines. The three right-of-centre parties in the coalition are against both proposals, the Social Democrats are (though not their two ministers) in favour of both. So are the right-wingers nf the Nationale Aktion, who are not represented in the Cabinet.

It is not quite as simple as that, though. A group of more than 30 leading Social Democrats has called the anti-nuclear amendment "irresponsible." Furthermore, political affiliations play less of a role in north-western areas of Switzerland which feel threatened by the building of a new nuclear power station at Kaiseraugst; votes in the two Basle cantons bave already come out against this project in local referendums.

Kaiseraugst is, in fact, something of a battle-cry for both sides. It is a declared aim of the anti-nuclear front to stop the project, which received a Parliamentary *go-ahead* last year. Either motion if passed, would do the job—the first by banning any new nuclear power station, *the second by clamping* down on the use of electricity *for* heating purposes.

At present, four nuclear *power stations* are in operation in Switzerland, all on the River Aare. These are the twin units Beznau I and II dating from 1970/72, Mühleberg (1972) and Gösgen (1979). A fifth unit, the biggest to date with a capacity of 942 megawatts, is just about to npen at Leibstadt on the Rhine, close to the mouth of the Aare. Once Leibstadt is on stream, the *share of* nuclear energy in total Swiss alectricity *production will rise from about* 30 per cent to some 40 per cent, almost all of the rest being hydro-electric power.

The *Government is convinced* that extra production from Leibstadt alone will be insufficient to meet future needs. *First of all, Swiss energy policy* has for years ben aimed at cutting back reliance on oil. This has been relatively successful; at the time of the *first* oil crisis, oil had accounted for about 80 per cent of total national energy consumption. Since then, the *share* bas been cut to only two-thirds. Solid fuel use has simultaneously been kept at under 4 per cent, *another move towards* self-sufficiency, since Switzerland has no native coal.

This process is intended to continue, both to reduce import volumes and to tackle the problem of fossil-fuel emmissions. Use of natural gas has risen markedly over the past 10 years —but it, too, is imported and accounts for only 6.5 per eent of total energy needs. Berne is, then, interested particularly in developing electricity production, whose share of national energy consumption has grown from 15 per cent in 1973 to 20 per cent last year.

Most people seem unconvinced by the arguments *of the anti-nuclear lobby* whose cause has been damaged by occasional sabotage on the site of the latest power station at Kaiseraugst.

It seems more likely than not that the two proposals will be rejected by the voters. Apart from throwing out the nuclear motion of February 1979, they did agree to a Government proposal to expand nuclear power capacity, albeit with increased controls, in May of the same year and also have turned down a proposal of Government and Parliament to strengthen official intervention in energy policy early last year. Public resistance to state intervention is *generally strong* and, in particular, the proposal for a future without nuclear power may prove too interventionist for the electorate.

The majority of people seem unconvinced by the arguments of the mainly Green/Red anti-*nuclear alliance* and were hardly more impressed by an inconclusive study just published by the World Wildlife Fund which surmised there was a link between nuclear power plants and sick trees. Considerable adverse publicity for the cause *has also arisen over the years* from occasional sabotage on the Kaiseraugst site and—only a few weeks ago—the burning down of the holiday home of Dr Rudolf Rometsch, chairman of the radio-active waste storaga organisation Nagra.

An especially complicated situation might be created if the motion against building new power stations should, because *of its simplicity, go through* but not the second motion for an "environmentally safe" supply of energy. In that case the *Swiss* would have deprived themselves of additional nuclear power without creating the basis for a complementary energy *policy*.

If either, or both proposals are approved, the Swiss will doubtless have to alter their *habits. As a highly-industrial*ised country with a high standard of living, they have become used—rightly or wrongly —to the availability of plenty of energy. Alternative power sources such as solar or bio-energy would hardly be enough to keep the pot boiling into the 21st century.

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EUROPEAN NEWS

Ten fail to bridge gap on financing Community budget

BY QUENTIN PEEL IN BRUSSELS

MEMBER STATES of the EEC yesterday failed to resolve their last differences on financing the Community's overspent budget, because of disagreement between Britain and West Germany on when extra cash can be made available.

The foreign ministers yet again postponed the deadline for agreement by a further, and possibly final, two weeks, to give their officials a chance to bridge the gap. If they fail, they are in danger of breaking the Treaty of Rome.

There is a continuing stalemate on a package of measures to meet the EEC's immediate cash crisis, provide extra money for 1985, to ensure long-term spending control, and guarantee that Britain gets its promised reduction in contributions. Ministers nevertheless expressed some confidence that they will still reach a deal by October 5, the deadline for submitting a budget to the European Parliament.

The outstanding issues to be resolved are the details of how long-term control can be imposed on Community spending, particularly on the common agricultural policy, and when member states will increase their overall level of contributions to the EEC budget.

Finance ministers meeting in Ireland last weekend reached broad agreement on the outline of the former, although French officials in Brussels have expressed continuing reservations on how finance ministers will have an effective veto on excess farm spending. The details are supposed to be finalised on October 1.

The question of when to increase contributions — the EEC's so-called own resources— is the issue which has now set West Germany against Britain. Herr Hans Dietrich Genscher, the West German Foreign Minister, insists that no increase can be approved until the date when Spain and Portugal are supposed to join the Community —January 1, 1986.

Britain, however, maintains that it cannot get back its excess budget contributions for 1984, which are due to be paid in the form of reduced payments in 1985, unless the increase in own resources payments is brought forward to some time next year.

However, officials have now been charged to work out a compromise by the next meeting in Luxembourg in October 1 and 2, coinciding with the finance ministers' meeting. One proposed compromise by Belgium would ask parliaments to ratify the increase in own resources for January 1 1986, but with the proviso that the money could be contributed earlier if the Council of Ministers agrees unanimously to do so.

Farm reforms, Page 15

Parallel talks will try to break major deadlocks

BY OUR BRUSSELS STAFF

EEC MINISTERS face a marathon combination of negotiations in Luxembourg in two week's time, when finance, foreign and farm ministers will hold meetings side-by-side in a bid to break the deadlocks on the related issues of bringing Spain and Portugal into the Community, increasing its finances and controlling the surplus production of wine.

The Irish presidency of the Council of Ministers hopes to link the talks in order to push negotiations forward on all three fronts.

The latest round of talks with both Spain and Portugal made little progress yesterday, in spite of political exhortation by member states.

Sr Fernando Moran, Spain's Foreign Minister, yesterday expressed deep disappointment at the failure of the EEC to agree on common positions on a range of issues for negotiations, although he praised the Irish Government for its efforts to speed up the talks.

Wine is one of the most important issues on which the EEC states have yet to agree, in spite of prolonged discussions by agriculture ministers over the past two days. Once Spain joins the Community, the existing "wine lake" of some 3bn litres is certain to be greatly increased, unless ways of cutting production can be agreed.

French proposals for a regime of wine production quotas failed to gain general approval, as being to unwieldly and expensive. Italy, the largest table wine producer, is strongly opposed to any such move, although there is a consensus among other members in favour of production limits.

There was some movement in the talks among foreign ministers on another key problem of enlargement concerning olive oil, also in surplus production.

The member states were able to agree on a proposal for the gradual inclusion of the Spanish steel industry in the EEC's steel regime. This would offer a four-year transition period during which Spanish government subsidies could continue to be paid, but under EEC supervision, and with some early production cuts being required.

Denmark curbs lending

BY HILARY BARNES IN COPENHAGEN

DENMARK'S CENTRAL bank acted yesterday to curb surging bank lending by lowering borrowing limits for banks exceeding its credit expansion guidelines. Bank advances in the year to August rose by 18.3 per cent. The central bank wants that brought down to about 15 per cent and expects a further decline next year.

The current borrowing limits, which are 15 per cent of net capital, at 11 per cent, will be divided into two tranches from November. The first will be 5 per cent of net capital at 8 per cent, and the second will vary, according to liquidity requirements and will cost 12 per cent.

Banks which exceed lending guidelines will have their borrowing rights reduced; those which do so repeatedly will lose their rights.

Bankers hope to prolong 'pact'

ZURICH – The Swiss Bankers' Association believed a gentleman's agreement among banks aimed at deterring criminal funds could be prolonged after 1987 even if the Swiss National Bank withdrew from it, Mr Jean-Paul Chapuis, chief of the association, said.

He told a news conference the agreement could be considered as simply one of the professional rules supervised by the Government's banking commission. The National Bank has said it does not want to be party to any new agreement once the present one expires in 1987.

The National Bank and the Finance Ministry both want the main provisions of the agreement included in a revised banking law, and thus made legally binding.

The accord was drawn up between the Swiss Bankers' Association and the National Bank in 1977, soon after Credit Suisse suffered large losses in connection with Italian flight capital passing through its Chiasso branch.

It obliges banks to properly identify the beneficiaries of account holders and to refrain from actively abetting flight of capital from other countries.

Mr Chapuis said inclusion of the agreement in the banking law could lead to complications in cases of inheritance or bankruptcy, due to doubts over legal right to the contents of a bank account.

To include in the law a ban on assisting capital flight would eventually mean foreign currency controls would become applicable in Switzerland, he said.

He agreed that prolonging the agreement without the National Bank would imply abolition of the present monitoring commission, which can fine offending banks up to SwFr 10m ($3.9m).

Reuter

Labour's plan for Norwegian oil wealth

By Fay Gjester in Oslo

NORWAY'S OIL will be used to revitalise industry and create thousands of jobs if the opposition Labour Party regains power in the general election a year from now. This is one of the main promises in an "action" programme prepared for debate by the party's national congress next March.

Opinion polls show Labour has a good chance of returning to office, particularly since the small Liberal Party says it will support the formation of a Labour government, rather than the continuation of the Conservative-led coalition.

Labour's goal is to make industry more modern and competitive, thus boosting profits and export earnings, so that money will be available to create jobs in the public and private service sectors. The party believes there is little scope for increasing total employment within industry itself.

Part of the country's oil earnings would be earmarked for an industrial development fund, to help finance restructuring of ailing industries and the establishment of new activity in high technology and "sunrise" sectors. The fund's growth would depend on the size of the state budget surplus from year to year—a surplus now due entirely to oil income.

Some of its capital would be invested abroad, to cushion the Norwegian economy from the effect of fluctuations in oil and gas prices, offshore production and the value of the U.S. dollar.

Trade unions will be expected to keep wage demands down in order to curb inflationary pressures which might otherwise be generated by the higher public spending.

Fiat unveils new engine

By Kenneth Gooding in London

FIAT SHOWED for the first time yesterday the new petrol engine it has developed with Peugeot of France. The Italian group has spent $330m to bring it into production at Termoli, central Italy.

Fiat said it had shared with Peugeot the development cost of $80m for the new unit, which has 30 per cent fewer components than the similar 1-litre engine used in the Fiat 127.

The 45 hp engine uses 15 per cent less fuel than the 127 unit and is practically maintenance-free, according to Fiat.

The new engine, which Fiat calls the "Fire" (fully integrated robotised engine) 1000, will be built at the rate of 2,500 a day – about 600,000 a year – from the beginning of 1985.

Fiat and Peugeot will continue to work on other versions of the engine.

Bitov accuses UK of violence and torture

BY DAVID BUCHAN

MR OLEG BITOV, the senior Soviet journalist who was granted political asylum in Britain earlier this year, yesterday appeared at a press conference in Moscow and said he had been forced to defect and make anti-Soviet statements under duress.

The former cultural editor of Literaturnaya Gazeta claimed that he was seized last September in Venice where he was covering the film festival. He said he was taken to Britain where he was subjected to "drugs, violence and torture" by intelligence agents who eventually offered him "a well-paid job in the gallery of anti-Soviet slanderers and subversives."

—Mr Bitov said he pretended to co-operate "to lull the vigilance of my captors." He had had freedom of movement only in his last two months in Britain and no real friends, since all his associates had been chosen for him by British intelligence, he claimed.

The Soviet journalist had been missing from Britain since mid-August and his car was found parked near the Soviet embassy in London on August 20. He told yesterday's press conference that he returned to Moscow unaccompanied and that he had hoped to return to his work at Literaturnaya Gazeta.

The British Home Office yesterday described his allegations as absurd. Mr Bitov had come to the UK of his own free will, the Home Office said, adding: "It is clear that his return to Moscow has prejudiced his own future and that he is telling a story of most advantage to the Russians in countering the allegations that he made in the UK."

While in Britain, Mr Bitov wrote press articles describing his growing disillusion with the Soviet system—made absolute on September 1 1983, when the South Korean airliner was shot down by the Soviet Union, a week before what he now terms his abduction.

He was said by acquaintances in the UK to have become increasingly depressed about the poor prospects of his wife and daughter being able to join him. According to some reports, he left behind in London all his belongings and £40,000 in a bank account.

The Soviet media gave full publicity to yesterday's press conference at which Mr Bitov was flanked by representatives from Literaturnaya Gazeta and the Novosti news agency, which arranged the event.

Turkey to privatise its national airline

BY DAVID BARCHARD IN ANKARA

THE Ankara Government has selected Turkish Airlines (THY) as the first large state corporation to be privatised.

It is to be split into two competing airlines next year, both serving domestic and foreign routes. They will be put into majority private ownership by the sale of shares to the airline's employees, who will be able to resell to the general public.

"Part of the sales to employees may be financed through reductions in company tax and will be financed from the profits generated over the next five years," a government official said.

The aim of privatising Turkish Airlines was "to make it profitable and to improve the quality of the services it offers to its passengers."

The airline current serves 26 foreign destinations and 16 internal ones with a fleet of 30 aircraft, mostly medium-haul DC9s and Boeing 727s.

Like most important state economic enterprises Turkish Airlines has been a serious burden on the Treasury over the past decade. Last year, however, although its internal routes lost TL 30m (£59,000) the airline made an overall profit of nearly twice that amount, mostly earned on the profitable routes to West Germany.

Last week the Government published guidelines for a scheme for the sale of revenue-sharing certificates by state economic enterprises. Although not actually shares, these certificates would be traded in the market like bonds and shares.

The details of the privatisation of Turkish Airlines will be settled by various bodies, including the Ministry of Transport, a special commission, the Government's Economic Council and the State Planning Organisation. The new airlines are expected to have come into being before the end of next year.

Kyprianou turns to key UN states

By Andriana Ierodiaconou in Athens

CYPRUS PRESIDENT Spyros Kyprianou will ask key permanent members of the UN Security Council to urge Ankara to try to soften the Turkish Cypriot negotiating position in the current peace talks.

The first round of those talks, which began in New York on September 1, is expected to end on Friday. A second round is believed to have been scheduled tentatively for mid-October.

Two points are proving particularly difficult. One is the sharing of 3,572 square miles of territory between the 80 per cent Greek Cypriot majority and the Turkish Cypriot minority. The second concerns the interpretation of a Turkish Cypriot demand for "equal footing" with the Greek Cypriot majority in a federal state.

This latter demand became part of the Turkish Cypriot negotiating position after the unilateral declaration of independence in the Turkish-occupied northern part of Cyprus last November.

Greek Cypriot officials say there is nervousness that the demand may imply a 50-50 sharing of executive and legislative power

W. German parties agree on lead-free petrol

BY RUPERT CORNWELL IN BONN

WEST GERMANY's government parties yesterday agreed a joint proposal to make catalytic converters for car exhausts compulsory from 1989. For vehicle engines of fore than two litres the measure will take effect a year earlier.

The deal, thrashed out in four hours of discussions, will now go before the Cabinet for approval today. The converters, which require the use of unleaded petrol, will reduce exhaust emissions of nitrogen oxide, held to be largely responsible for the severe damage to the country's forests.

The three parties, the CDU, its Bavarian sister the CSU and the liberal Free Democrats, have also bridged their differences over tax incentives for low-polluting cars.

Purchasers will be exempted from motor tax for between four and 10 years, depending on the car's engine size. This option will be available from some time next year, to encourage the voluntary use of cars with converters as soon as possible.

Similarly, from July 1985 tax will be lowered by two pfennigs per litre for lead free petrol, to 49 pfennigs, while for ordinary petrol will go up by the same amount to 53 pfennigs per litre.

Yesterday's compromise amounts to a climbdown by the goverment, which had originally wanted to make low polluting cars mandatory from 1986.

The agreement has been reached on the assumption that the EEC will adopt the 1989 date throughout the Community, thus amending its present proposed deadline of 1995.

But politicians last night insisted that, if needs be, Bonn would go it alone in 1989, relying on Article 36 of the original Treaty of Rome, which permits a member country to take unilateral measures in the case of a special threat to its environment.

The three-year delay is likely to strengthen already multiplying demands from the Opposition for tighter spred limits on German roads and motorways, as the only effective way of reducing nitrogen pollution in the near future. But such suggestions would be strongly resisted by the powerful motor industry lobby here.

OVERSEAS NEWS

How Botha became one of the world's most powerful leaders

BY ANTHONY ROBINSON IN CAPE TOWN

HISTORY OF a sort was made yesterday as white, Coloured and Asian MPs trooped into Cape Town's House of Assembly for the joint opening of the new tri-cameral parliament set up under the country'e second republican constitution.

For some white Afrikaners, many of wbom trace their origins back 16 generations or more to the time of the original Dutch settlement, the new constitution and parliament represent the thin edge of an inexorable wedge, a breach in the key principle of white domination of South African society.

Unconvinced by the arguments of former Prime Minister and now first executive president, Mr Pieter Willem (PW) Botha, that small steps of reform were needed to preserve the essentials of white rule tbe hardliners broke away and formed their own party, the Conservative Party headed by Mr Andries Treurnicht.

But in the all-wbite referendum on the new constitution last November Mr P. W. Botha's "reformist line" was approved by two-thirds of the white electorate.

The fact that the new constitution has brought about a split in Afrikanerdom is taken by many as the most convincing sign that it represents a eignificant step away from a hard-line, whites only Apartheid system—and may contain the seeds of future evolutionary change

Mr Botha, accompanind by Mr Pik Botha, his Foreign Minister, sought to give this impression to foreign leaders during his recent tour through European capitals.

But this was not the view of nearly 80 per cent of the newly eligible Colonred and Asian electorate wbich boycotted elections last month for the two new racially segregated chambers—the 85 seat Coloured (or mixed race) House of Representatives end the 45 seat House of Delegates reserved for Asians.

A vigorous election boycott campaign was waged by the United Democratic Front, a loose umbrella organisation of political, religious and community groups.

Thn principal objection of the boycott organisera is that the new, recially-segregeted, tri-cameral parliament not only entrencbes Apartheid but contains no provision for representation of blecks and therefore risks saddling the Asian and Coloured commnnities with co-responsibility for the Apartheid system in the eyes of the nnrepresented black majority.

Given the doubts of the Coloured and Asian communities, President Botha was expected by some observers to boost the standing of the new MPs by banding them ministeriel posts in the white-dominated Cabinet whicb bas executive authority for what the new constitution calls "general affairs."

These cover all the vital powers of the state—including defence, internal security and foreign affairs and the power to tax or borrow. They are separated from "own affairs"—those deemed to affect only one community such as aspects of education, welfare and community development, which will be the sole responsibility of the three separate parliamentary chambers.

But when Mr Botha announced his new Cabinet over the weekend be gave no ministerial portfolios to Asian or Coloured representatives and merely included Mr Allan Hendrickse, leader of the Coloured *Labour Party in the House of* Representatives and Mr Amichand Rajbansi, leader of the majority group in the Asian House of Delegates, as ex-officio Cabinet ministers without portfolio.

At a Press conference Mr Botha explained that no Coloured or Asian had been given a portfolio because they lacked the necessary experience and skill. He also confirmed that there was no chance during this parliamentary session of introducing a fourth chamber to represent the 10m or so blacks who live in white South Africa (as opposed to the millions who live in the so-called independent black homelands and are deemed to enjoy their full constitutional rigbts there).

Mr P. W. Botha: can veto any legislation

Mr Botha's own powers meanwhile have been greatly extended under the new constitution which, unlike the French or American system, does not provide for direct popular election. The president is chosen by an electoral college made up of 50 white, 25 Coloured and 13 Asian MPs reflecting the entrenched 4:2:1 ratio which guarantees a permanent white majority.

Aided by a powerful state president's office headed by Dr Jannie Roux, former head of the prison psychiatrists service, President Botha has become one of the most powerful political figures in the world.

He is paramount chief of all blacks (and has taken personal responsibility for the futura developments of black affairs), can declare war, peace, or martial law, dissolva parliament and veto any legislation. He is also chairman of the Cabinet, appoints ministers and their deputies and is commander-in-chief of the armed forces.

S. African miners return to work

By Jim Jones in Johannesburg

AN OFFER of improved holiday pay allowances yesterday helped bring a strike by South Africa's unionised black mine workers to an end.

But acceptance by the National Union of Mineworkers (NUM) of the employers' offer does not signify an end to black workers' basic dissatisfaction with their position in the mining industry.

Final negotiations at the weekend between the NUM and the employers' co-ordinating body, the Chamber of Mines, followed a week long ballot of miners at seven gold mines in the preceding week. The ballot indicated that the great majority of black miners favoured strike action as a means of pressing their claims for improved working conditions.

The ballot's outcome led to the chamber offering improved holiday leave pay allowances. This has been accepted by the NUM which has instructed its members to return to work.

The negotiations were accompanied by violence, arson and wildcat strikes at a number of mines which, in theory, were not party to the dispute between the chamber and the NUM.

At the Hartebeestfontein goldmine yesterday two-thirds of the mine's 12,000-strong workforce struck in support of the demand that management recognise the NUM as representative of employees.

The chamber is reluctant to take action—such as the threatened firing of legal strikers—which could sour relations with black workers for several years. It is also reluctant to precipitate the situation in which the NUM'e moderate leadership could be replaced by militants.

On its side the NUM bas had difficulty in controlling its members. The fact that strikes and rioting broke ont at various mines indicates that the union leadership cannot count on immediate obedience from its members.

Hong Kong's debate on political reform comes to an end

BY DAVID DODWELL IN HONG KONG

THE GUILLOTINE fell in Hong Kong yesterday on a summer-long public debate on political reform that has been seen by many in the territory as almost as important as the Sino-British joint declaration on the future of the territory which is due to be initialled next week.

The debate came to a climax on Sunday, when more than 1,000 people, members of 39 political and community groups in Hong Kong put aside their many differences and gathered for a mass rally in support of direct elections in the territory.

Debate began in July when the Hong Kong administration unveiled its Green Paper outlining plans for more accountable government in the territory between now and 1997.

When the Green Paper was published, Sir Edward Youde, Hong Kong's governor, emphatically ruled out direct elections to the territory's highest political bodies in the near future. He said the Green Paper aimed to "root the authority of government firmly in the community," but insisted that the need for stability "at a critical time in Hong Kong's history" dictated "the gradual approach."

The paper proposed indirect elections for just under half of Hong Kong's Legislative Council by 1988, after which time council members — who in Britain would be equivalent to members of parliament—would elect a minority of members of the Executive Council, tha territory's inner cabinet.

HONG KONG'S Hang Seng index rose yesterday to close at 974.92—its highest level for over four months—as stock market operators took up positions ahead of the publication of the joint Sino-British declaration on the future of the territory. This is likely to be unveiled next Wednesday or Thursday. The index improved by 11.41 points on the day, and followed a gain of just over 18 points on Monday.

Public interest in the proposed reforms has been sharpened by the secret Sino-British negotiations over Hong Kong's future once the territory returns to Chinese sovereignty in 1997.

Local pressure groups have become aware that unless political reforms are made now, then the chances of them taking root, or remaining intact after 1997, are small.

Views put to the government on the proposed reforms over the past two months have been diverse. More than 150 organisations have made submissions. But as the rally on Sunday clearly demonstrated, significant common ground has been defined during the debate—particularly on the issue of direct elections—and there is no doubt that the Government will take careful note of this ae it prepares the White Paper for debate in the Legislative Council in the second half of November.

Tripoli peace deal signed

DAMASCUS — Two rival militias ln the north Lebanese port of Tripoli today signed a Syrian-mediated peace agreement in Damascus designed to end their long-running fend.

Mr Abdel-Halim Khaddam, Syria's Vice-President, was present when the accord was signed by the pro-Syrian Arab Democratic Party (ADP) and the Sunni Moslem Islamic Unification Movement (Tawbeed).

The accord bans gunmen from tha streets and calls for the collection of their beavy and medium weapons in Tripoli and its suburbs.

The two militias bave fought on and off in Tripoli for the last five years. Two people died and nine were wounded in their latest clash on Sunday. Fighting last month cost the lives of 135 people, most of them civilians.

Reuter

Chad fears over French withdrawal

By Our Middle East Staff

THE CHAD Government of President Hissene Habre was reported yesterday to be deeply concerned about the agreement between France and Libya to withdraw their forces from the country.

President Habre has not yet reacted officially to the agreement bnt officials in the capital N'Djamena said that the French had presented him with e *fait accompli*. They claimed that there was no clear French commitment to resume military essistance if the Libyan troops later returned.

However the agreement was enthusiastically welcomed by the dissident Chad forces *headed* by the former President Goukouni Oueddei. A radio station controlled by the rebels said that the withdrawal of French and Libyan troops would open the way to a "definitive solution to the Ched problem.

The African state has been wracked by internal conflict since it became independent from France 24 years ago. France dispatched over 3,000 troops to Chad last year to check the advance of the rebel forces supported by units of the Libyan army.

Both sides are due to begin pulling nut their troops on September 25 and it is believed thet the withdrawal will be completed by the middle of November.

Korean talks hit trouble

By Ann Charters in Seoul

TALKS BETWEEN the South Korean Red Cross and the North Korean Red Cross stalled yesterday—after North Korea insisted on delivering relief goods for flood victims by truck to Seoul, tha South Korean capital. The two sides are unlikely to continue talks unless there is a change in the North Korean position.

The chief South Korean delegate, Mr Lee Young Duk, stated categorically mid-way through yesterday's talks that South Korea is willing to receive goods at Panmunjom, in tha Demilitarised Zone, but not at Seoul. Seoul is 35 km south of Panmunjom where the talks took place.

Sri Lanka's extremists shun all peace initiatives. **John Elliott reports**

Madras haven for Tamil Tigers

WHEN a landmine kills troops in northern Sri Lanka and a fresh round of retaliatory violence breaks out, extremists in Madras cbalk up another victory in their campaign of terror aimed at achieving independence for the island's Tamil minority.

Madras has become the opertions centre for guerrilla and other extremist groups during the past year. They live bere and publisb propaganda, including magazines, thanks to e tolerant Indian Government which does not want to upset Tamils in southern India.

The extremists—or freedom fighters as they prefer to be called—say they are not interested in an amoesty and possible talks on a peaceful solution recently offered in an Indian newspaper interview by Mr Junius Jayewardene, Sri Lanka'e President. Informal approaches through religious organisations have not been taken up.

"Our aim is to throw the army out of the Tamil areas and establish an Eelam (Tamil independent) state: says Mr A. S. Balasingbam, spokesman for the Liberation Tigers of Tamil Eelam, usually known as the Tamil Tigers, and the most active guerrilla group.

They were not interested in discussiog the sort of regional or federal solutions talked about in the Sri Lankan Government's rnund table conference which is to recoovene on Friday, possibly to bear new proposals from the Government.

"There is no point in such discussions wbile the present Government, opposition leaders and Buddhist monks are in power," says Mr Balasingbam, listing the three groups which directly or indirectly control public policy on the island.

Main roads used by the army in the Tamil areas, mostly in the northern Jaffna peninsula, have been mined to blow up army convoys. Apart from occasiooal jail breaks and attacks on police stations, that is the main tactic at present. It claimed nine soldiers' lives last week, provoking the retaliatory killing of civilian bus passengers.

The next pbase, according to Mr Balasingham, will involve more direct confrontetion with the army, including attacks on army camps in Tamil areas and, possibly, attacks on economic targets in the other southern areas. That migbt start in two to three months time, depending on the internal Sri Lankan situation and the continued tolerance of tbe Indian Government. The Indian Government is under considerable pressure internationally to close down guerrilla training camps in and around Madras, whicb the extremists, bowever, deny exist.

There are five main groups which have set up in Madras since the major violence in Colombo and Jaffna 14 months ago:

1—The Tamil Tigers, formed in 1972 when a change in tbe constitution of Sri Lanka led a younger generation to abandon the non-violent campaign for regionel autonomy followed by their fathers. Its leader is Mr V. Prabhakaran, 30, who lives in Madras.

Mr Balasingham agrees that violence was not condoned by the Tamil population 12 years ego but argues, with soma justification, that it is rapidly gaining increasing support now that troops are attacking civilians, bomes and sbops.

Catholic priests who have a sizeable congregetion on the island are involved and Bishop Theougupplile of Jaffna is accused by the Govarnment of baving links with the guerrillas. Father Sinnarasa, a priest who escaped from prison last year and is now in Madras, defends the violence. He says that wben he addresses young priests in Indian seminaries in Pune, near Bombay, as well as in Madras, be bas "no difficulty in persuading them of the need for our methods, even if the Vatican disagrees."

And what does God think? "God will expect me to leed the people to a just society and we bave to take np arms to defend our people."

2—Peoples Liberetion Organisation of Tamil Eelam: e breakaway from tha Tigers, it is led by Mr Uma Maheswaran, 37, wbo had a shoot-out with Mr Prabhakaran two years ago over tactics. Along with the rest of the groups, it does not believe in the Tigers' hit-and-run guerrille activities, mainly because civilians get killed in reprisals, but talks of an armed campaign in the future.

3—Eelam Peoples Revolutionary Liberetion Front: An ideologically based Marxist-Leninist party which would want to help the Sinahlese change their society in the south once Eelam was established for the Tamils. It was responsible for kidnapping two U.S. aid workers in the north earlier this year, having accused them of being CIA agents.

4—Eelam Revolutionary Organisation of Students: It has a similar outlook to the last group, with which it shares e belief that e democratic government could not work in what it regards as a feudal society. (The other groups say they would want a democratic parliamentary system in which Marxists could stand in elections.)

5—Tamil Eelam Liberation Organisation: A large but not very active group whose leaders were killed in prison in July last year.

There are many splinter factions of these groups. One is the Tamil Eelam Army, which has little organisational base, but is believed to have been responsible for last month's bomb blast at Madras airport.

Also operating in Madras is a civil rights group called Proteg (Protection of Tamils of Eelam from Genocide). Its activists include lawyers and economists and many other professional people who have gradually come to accept the need for a violent campaign.

It called et the weekend for India to invade Sri Lanka to protect the Tamils in all parts of the island from attacks by troops. The main groups listed above do not want India to invade, saying it is their job to "liberete the Tamils and establish Eelam."

The professional people argue that a fully independent Tamil state would be economically viable because they want it to include a 20- to 40-mile strip down two-thirds of the eastern coast of the island as well as the northern areas.

The professional peole know they sound like impractical dreamers. But, spearheaded by the Tamil Tigers' guerrilla activities, their views cannot be ignored because it is the guerrillas who, up to now, are dictating the pace of the current crisis, not the Sri Lankan Government and those et round-table talks in Colombo.

And all tha groups believe they are winning the physchological war when, as has happened in tha last week, they bear the Colombo Government announce it is switching development funds from the Tamil areas to defence spending and is postponing the ceremonial opening of the giant Mahawali irrigation scheme's Victoria Dam, scheduled for next week.

Copper fall forces Chile devaluation

By Mary Helen Spooner in Santiago

FALLING copper prices and high international interest rates have forced the Chilean Government to carry out a 19 per cent devaluation and sharply raise import barriers.

The decision, announced on Monday night by the Finance Minister, Sr Luis Escobar, involves lowering the peso-dollar parity from 93 to 115 pesos and raising the uniform 20 per cent tariff on imports to 35 per cent on most items. He also announced that additional cuts would be made in next year's budget and said that tax rebates were being considered for exporters.

The new official exchange rate gives the peso approximately the same value as the currency had been trading on Chile's legal parallel market over the past few weeks. The timing of the Finance Minister's announcement on the eve of a two-day national holiday for Independence Day was evidently intended to avoid panic trading in dollars.

Sr Escobar's presentation did not indicate whether the authorities would allow continued transactions on the parallel market or what the preferential exchange rate granted to Chileans with dollar denominated debts would be.

The International Monetary Fund, due to send a mission to Santiago next month to negotiate a new standby agreement, has argued against Chile's three-tiered exchange rate, pushing for either a *unified exchange rate* or the inclusion of the spread between the parallel market rate and the official and preferential dollar rates as a subsidy.

General Augusto Pinochet's regime planned this year's budget around an estimated average copper price of 75 cents per pound. On Monday, the London Metal Exchange registered a further decline in copper prices to 57.5 cents per pound.

Sr Escobar noted that Chile loses export revenues of roughly $26m for each one cent drop in the price of copper, and that the year end losses for the country would amount to $300m. In addition, the hike in interest rates has effectively increased Chile's foreign debt obligations by $450m in a period of 12 months, he said.

The Chilean peso began its downward slide in June of 1982, when after months of denial that such a move was under consideration, authorities abruptly announced a devaluation from 39 to 46 pesos to the U.S. dollar. A few months later, Chile's central bank initiated a series of sliding devaluations.

Mondale disappointed Reagan will debate with him only twice

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

MR WALTER MONDALE yesterday expressed disappointment that President Ronald Reagan had agreed to debate him no more than twice during the run-up to November's U.S. presidential elections. But the Democratic challenger said that the two nationally televised encounters should still be enough to "smoke out" Mr Reagan and "get some answers."

Mr Mondale, who is pinning high hopes on the debates to stage a comeback in his flagging campaign, had originally asked for six debates. Mr Reagan, while officially expressing interest in debating Mr Mondale, had sought as few as possbile.

After weeks of negotiations between the two camps, the timing of the debates has finally been agreed as follows: Mr Reagan and Mr Mondale will debate on October 7 in Louisville, Kentucky, and on October 21 in Kansas City, Missouri. Vice President George Bush and his opposite number, Ms Geraldine Ferraro, will debate once, on Octber 11 in Philadelphia.

The first of the two presidential debates is to be devoted to economic and domestic issues, the second to defence and foreign policy, while the vice presidential candidates will divide their time between domestic and foreign issues. All three 90-minute debates will be arranged by the League of Women Voters and begin at 9 pm eastern U.S. time (2 am London time).

Many American political analysts believe that debates favour the challenger, and Mr Reagan's staff had been afraid that *a last minute presidential* debating gaffe might affect the result of the November 6 poll. Mr Reagan's debating success against President Jimmy Carter just before the last election in 1980 is widely thought to have helped him win the White House.

This year, the incumbent Mr Reagan has been running a campaign concentrating on values and avoiding issues, on which Mr Mondale wants to pin him down in the debates. Yesterday, however, Mr Reagan's advisers said that it was difficult to see how the debates could affect the outcome, given that both men and their records were already so well known, and that Mr Reagan had never been "hurt by a debate."

While Mr Mondale had sought the opportunity for direct confrontation with Mr Reagan, the candidates are instead to be questioned in turn by panels of four journalists under the guidance of a moderator.

On timing, both sides seemed to have conceded a point. Mr Reagan's staff agreed to a date close to the election for the second debate—which they had hopes to avoid—while Mr Mondale's negotiators failed to secure an early early date for the first debate to try to relaunch their campaign.

Meanwhile, Mr Mondale appeared to be toughening his position on Central America, saying that he would seek to impose a "quarantine" on Nicaragua if negotiations failed and the Sandinista Government "used any force outside its borders." It was not clear, however, what he meant by a quarantine, and he repeated his pledge to end the "secret war" against the *Sandinistas* now being waged by U.S.-backed "Contra" rebels.

In an interview with the New York Times, Mr Mondale also expressed his support for last October's U.S. invasion of Grenada more clearly than in the past. His comments were seen as trying to reassure moderate and conservative voters that he too, like Mr Reagan, stood for a "strong America."

Mexico food agency fraud charges

By David Gardner in Mexico City

THE FINANCE MANAGER of Mexico's second largest public enterprise, Conasupo, the state food production and distribution agency, has been arrested for alleged fraud, along with other company employees and private businessmen.

Sr Jaime Hernandez David, the Conasupo Comptroller, along with Sr Isidro Espinosa de los Reyes, a brother of the Mexican Ambassador to the U.S., and three private subcontractors to the company were due to be charged yesterday.

The authorities' inquiries centre on irregularities on invoicing for grain deliveries and machinery purchases. The sums involved are vague, but customarily the charge sheets only refer to a fraction of what is at stake.

Conasupo is the second largest Mexican company after Pemex, the state oil monopoly. Conasupo is known to have overshot its budget targets for this year. The authorities say they are questioning other company employees in connection with the alleged fraud.

Sr Jorge Diaz Serrano, the former chairman of Pemex, now in jail awaiting trial, is charged with having embezzled $34m, a trivial sum against the hundreds of millions which are thought to have disappeared through corruption in Pemex

U.S. coal mine contract talks near deadline

BY PAUL TAYLOR IN NEW YORK

CONTRACT negotiations between coal mine operators on the east coast and midwest of the U.S. and the United Mine Workers (UMW) are nearing a crucial informal deadline which could decide whether the two sides will reach the first peaceful coal settlement in 18 years.

The negotiations, which have been underway since May, cover about 70,000 of the UMW's shrinking 160,000 membership, almost a quarter of whom are laid off. The UMW's contract with the bitumous coal operator's association representing 32 member companies covered by the agreement expires at midnight on September 30. But because the union ratification process usually takes eight to 10 days, hopes for avoiding a strike or possible lock-out appear to be fading.

While the three-year contract covers pay, benefits and other conditions, the negotiations appear to be in danger of becoming bogged down in the non-pay issues.

In earlier settlements this year, UMW members won between 10 and 14 per cent pay increases over the life of 36 to 42 month contracts in management-by-management negotiations with mine operators in the west. Both sides in the current round of negotiations appear to be heading towards around a similar 10 per cent increase in the basic $24.70 an hour wage and benefit package.

Wall Street ponders the rituals of Detroit

BY TERRY DODSWORTH IN NEW YORK

IT IS NOW fashionable (though not in Detroit) to decry the U.S. auto manufacturers as representatives of a medium-technology industry who have surrendered their predominant position in the economy to the new wave from Silicon Valley. But the financial markets have been seeing things a little differently over the last few weeks.

Since Wall Street got back to serious business after the August holidays, analysts have been *having* a high old time trying to make sense of the triennial rituals which go under the name of wage negotiations at the U.S. car manufacturers. There have been two points at issue—trying to guess whether there would be a strike or not, and attempting to assess the impact of a stoppage on the economy.

It was obvious from the start that the most sensible approach on the first count was to take a flier. There was (and is) no knowing how the two sides will reconcile their substantial differences in the 15 or so committees which do the negotiating, and where personal animosity so often pays a part.

On the flier-taking stakes, Citicorp's investment department has won pretty high marks. Back on September 10, it told readers of its economic research publication that "There was almost no chance now that agreement on an auto-industry labour contract can be reached before the deadline." It then went on to predict that General Motors would probably be hit "in the form of selective work stoppages at plants producing popular cars or at key parts facilities"—slightly wrong on the final point, but right enough on everything else.

On the second issue, however, analysts have been spilling vast quantities of ink in an elaborate numbers game where their conclusions will probably be very difficult to verify at the end of the day.

Merrill Lynch was very fast off the starting block on this one, saying back on September 3 that a dispute would further slow an already slowing economy, and help ease pressures on interest rates.

This was a point which was soon grasped by the market as a whole, which then began to watch Detroit like a hawk for clues to rates, industrial profits and overall growth in the economy. Merrill calculated that a strike through September would reduce third quarter real Gross National Product growth from around 5 per cent to 3.7 per cent.

Many pundits have also speculated about the impact of the dispute on interest rates. If there is an extended strike, says the Bank of New York, rates will stabilise around the current levels. But if not, they will drift upwards through to the year-end — despite the help the Federal Reserve Board has been giving the money markets over the last two weeks.

Virtually no-one has dared, however, to tackle one of the most crucial questions — the terms of the settlement. Shearson/Lehman American Express forecast on September 6 that it was likely to be the sort of conclusion that gave the wrong signals for the right reasons.

To achieve job flexibility, said Shearson, GM may well give away high wage increases which may be regarded as inflationary by most investors. That would send the wrong message to corporate America, said Shearson, but it would be the best outcome under the circumstances.

Brazil, W. Germany near bilateral accord on debt

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL and West Germany are at an advanced stage of negotiations on a novel bilateral accord to reschedule the officially guaranteed debt owed by Brazil to German financial institutions.

Herr Martin Bangemann, the West German economy minister, said in Rio de Janeiro on Monday night tht the only obstacle in the way of an agreement concerned the interest rate to be charged on the rolled over debt. The gap between the two sides' positions is believed to be small.

This bilateral agreement could break new ground in the two-year saga of the Latin American debt crisis, in that it is believed to be the first time that official loans have been rolled over outside the framework of the group negotiations usually conducted by creditor governments under the aegis of the Paris Club.

The West German minister did not reveal the amount being renegotiated, which is likely to cover amortisations and loan interest falling due in the second half of 1983 and all 1984. Brazil unilaterally suspended payments to its official creditors last year when it opened negotiations with the Paris Club.

According to the Brazilian central bank, at the end of last year outstanding debt provided under the West German Kreditanstalt fur Wiederaufbau official programme alone came to the equivalent of $722m.

Brazil reached an outline agreement with its 16 Paris Club creditors last November but since then the detailed negotiations have become bogged down in technicalities and no final agreement has yet been reached.

Meanwhile, it was reported yesterday that Brazil is making a last-minute effort to persuade the International Monetary Fund to change a key target incorporated in its new draft letter of intent, agreed only three weeks ago.

According to O Globo, a leading daily, a team of top Brazilian officials has been in Washington since last Friday in an attempt to convince the IMF of the need to soften the agreed target for the nominal public deficit, set for the third and fourth quarters of this year.

Canada indicates strategy for review of economy

BY BERNARD SIMON IN TORONTO

THE ECONOMIES priorities of Canada's new Progressive Conservative Government include a review of foreign investment rules and measures to control the budget deficit, according to the new Finance Minister, Mr Michael Wilson.

Mr Wilson, aged 46, is a key member of Canada's new Conservative cabinet, which was sworn in on Monday afternoon. In a national television interview, he said that a "budget *statement*" will be presented to parliament within the next few months, to be followed by talks on economic strategy with the 10 provinces and with business, labour and other key participants in the economy.

Mr Wilson said that the Government will "re-order" public spending priorities. Details of its proposals will not be disclosed until they have been discussed with the provinces and other economic decision makers.

The cabinet named by Prime Minister Brian Mulroney, has been widely welcomed, particularly in business circles. Over half the 40 members have a business or farming background.

Mr Joe Clark, aged 45, who headed the Conservatives' short-lived *minority* government in 1979-80, has the external affairs portfolio.

The six women appointed to the Mulroney cabinet include Mrs Flora MacDonald, External Affairs Minister in the Clark Government, as Employment and Immigration Minister, and Mrs Pat Carney to the energy portfolio. Mrs Carney, an economist by training, has wide experience of oil and gas issues, which are likely to feature prominently in the new Government's efforts to boost investment in Canada.

The Conservatives gained a majority of parliamentary seats in all the provinces in their landslide election victory on September 4. Mr Mulroney has struck a careful balance between the main regions in the composition of his cabinet.

WORLD TRADE NEWS

Jordan group in Chinese nuclear power plant deal

BY RAMI G. KHOURI IN AMMAN

A JORDANIAN commercial group is trying to pull off an international business coup by acting as an intermediary in a $7bn turnkey deal to provide China with four nuclear power plants.

The Amman-based United Trading Group (UTG) is already holding wide-ranging and urgent talks with nuclear power companies in the U.S. and eight West European countries in order to put together several consortia to build the four nuclear power plants.

Mr Radwan Hajjar, the UTG director and senior executive and president of the UTG-owned Trans-Orient Engineering and Construction Company, said in an interview that another UTG division, the United Trading Company, had signed a firm contract with the Chinese Water Resources and Electric Power Ministry on July 31.

The contract, he says, names the United Trading Company as turnkey contractors/general managers for the four power plants. He added, however, that the UTG has no previous experience in nuclear engineering and is playing a purely intermediary role between the Western suppliers of the technology and the Chinese Government.

"This is not a letter of intent or a proposal that we have. This is a signed contract, in which the Chinese Government has put down technical and financial specifications for these four nuclear power plants," Mr Hajjar said.

As soon as the UTG puts together a package of Western suppliers, contractors and financiers on terms that meet China's specifications, work can start on the actual construction of the plants, he said.

The UTC has already had talks on the project with three U.S. companies, as well as others in the UK, France, West Germany, Italy, Spain, Sweden, Switzerland and Austria. The four power plants to be built are the twin 900 MW Guangdong power plant, a twin 900 MW plant at Shandong, a twin 900 mW plant at Hanain and a single 700 mW plant at Fujian. Another single 700 mW plant could be added to the contract at a later stage, Mr Hajjar said.

The Guangdong plant has been under negotiation for nearly four years with General Electric Company of the UK which has tendered to supply the generators, and France's Framatome, for nuclear plant, whose share of the work is not affected by the deal with the Jordanians, Mr Hajjar said. UTC would provide the elements of that plant that have not been discussed with the British and French concerns, he said.

The question being asked in Amman is why the Chinese would choose a Jordanian contractor.

Mr Hajjar replied: "Our Hong Kong office saw an opportunity to help the Chinese get around the long delays they had experienced in their negotiations with the Europeans for the nuclear plants. We made them an offer and they accepted it. The Chinese want nuclear power for their industrial expansion plans, and they want it fast. This was a way for them to send a message to the European companies, and the Europeans seem to have received it."

Egypt sets date for decision on nuclear plant

By Tony Walker in Cairo

EGYPT expects to sign a letter of intent by the end of this year for construction of its first nuclear power plant to be located at El Daba, west of the port city of Alexandria, according to Mr Mohammed Osman Abaza, the Egyptian Electricity Minister.

Mr Abaza said in an interview this week that evaluation procedures for tenders lodged by a number of international companies were well advanced and he expected a decision on a suitable applicant to be announced in December.

A French-Italian consortium led by Framatome of France has emerged as front runner because it is the only one of four contenders at this stage offering a government-backed line of credit.

The serious contenders, apart from the French-Italian consortium, are Kraftwerk Union (KWU) of West Germany and Westinghouse and Bechtel of the U.S.

But the U.S. bids do not have Exim Bank backing and are therefore at a considerable disadvantage against the French-Italian consortium and possibly the Germans. Bonn has not yet indicated the extent of support it is prepared to give the KWU bid.

Mr Abaza said recent newspaper reports indicating there was a delay in the country's nuclear programme were incorrect.

Egypt planned to build six nuclear power stations this century and eight by the year 2005, he said. But Western engineering consultants in Cairo are sceptical that the Egyptians can keep to such a timetable. They would be surprised if the first plant was commissioned by 1991, the year nominated by Mr Abaza for the start-up of the El Daba plant.

In Cairo, a Framatome spokesman said the company hoped to have a letter of intent by the end of the year.

The Framatome consortium is based on a 60-40 share between the French and Italian sides.

AC Scotland wins £25m U.S. car order

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

AC SCOTLAND, a small specialty car company equipped with useful leftovers from the Talbot Linwood and De Lorean works in Belfast, hopes to have assured its long range future with a £25m export order from the U.S.

AC Scotland earlier this year bought out the production rights and AC trademark to transfer assembly of the AC 3000 ME two-seater sports car from AC Cars in Thames Ditton to Hillington, west of Glasgow. AC Cars remains a minority shareholder in the Scottish company.

About 60 of the cars had been produced at Thames Ditton and the first model rolled out of the Hillington factory in August.

Although hoping to increase local production of the 3000 series, Mr David MacDonald, managing director of AC Scotland, is giving much of his attention to a new car known only as the Ecosse Project, to be developed for the U.S. market.

Yesterday the company announced it had signed a contract worth over £20m (plus about £5m in spares) to supply 200 cars a year for the next 10 years to AC Car Company Incorporated, a newly-formed company in the U.S.

The U.S. importer, which is independent of the British company, will be based in California and have offices on the East Coast. The company is owned by family interests of Mr Jack Elliot, an executive vice-president of the Utah-based company Hart Industries.

Mr MacDonald said the contract was valued in sterling partly because of the fluctuations in dollar values. Under the agreement the importers are to pay the full purchase price of each car as it is supplied rather than take delivery on credit awaiting eventual sale.

The deal will see the return of the AC trademark to the U.S. following its success in the form of the V-8-powered AC Cobra during the 1960s. A pre-production prototype car is to be shipped to the U.S. for evaluation and promotional purposes at the end of the year with the first shipment of production-line cars to leave in the spring of next year.

Mr MacDonald said a mechanical version of the vehicle was already running but work is continuing on the bodywork of the two-seater at the Scottish factory.

As with previous AC cars, new development will be equipped with a Ford engine. While the ME 3,000 has type approval, the new fibreglass model will still have to undergo certification tests in the U.S.

Mr MacDonald wants the contract to provide a stable production base while the company develops as a engineering consultancy, setting up turnkey small car assembly operations in other countries. The company is hoping to establish operations in West Germany, Austria and possibly South Africa.

The Scottish plant employs about 30 workers, most of them ex-employees from the nearby Talbot Linwood works, which closed in 1981 with the loss of over 4,000 jobs. A number of the car hoists in the plant also come from Linwood, while the paint-curing oven was brought over from the ill-fated De Lorean plant in Northern Ireland.

To finance the Ecosse Project and further ME 3000 series production, AC Scotland recently raised £368,000 from investors under the business expansion scheme.

SAS orders six Douglas aircraft

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

SAS, the Scandinavian airline, has ordered six DC-9-80s from McDonnell Douglas of the U.S. in a deal worth $150m.

The aircraft, which will be delivered between September and December next year, will be used on SAS's European and domestic routes in order to provide additional capacity in the business travel sector.

SAS already operates 80 DC-9s, the largest fleet of its type outside the U.S.

Including the latest deal, SAS is in the process of adding 12 new aircraft to its fleet. It has recently ordered two more DC-10s for its transoceanic services in a deal worth $50m and it is buying four Fokker F-27s for $9.5m to augment commuter services.

The latest deal with McDonnell Douglas is only a temporary solution to its capacity problems. SAS is facing major strategic decisions over the replacements of its entire fleet of DC-9s and other aircraft during the late 1980s and early 1990s.

The fleet renewal programme will bring new orders to the aerospace industry worth more than $3bn and SAS is expected to decide on which type of aircraft to be used in its new fleet around the end of the year.

After slumping deep into loss at the end of the 1970s, SAS has emerged as one of the world's most profitable airlines in the last two years and has captured a growing share of the European market.

It has run into severe capacity problems, however, and a temporary solution of hiring-in planes from other airlines began to cause unrest among its personnel.

Earlier this week the Nordic pilots' unions called on their members in SAS to work to rule and some SAS ground personnel mounted wildcat strikes.

Mr Jan Carlzon, managing director, announced yesterday that the group is to recruit an additional 47 pilots—the first hirings since 1980-81—and 150 extra cabin staff to ease the pressure on personnel and meet rising demands.

While the European market has virtually stagnated during the last three years, SAS has managed to increase its full fare traffic in Europe by more than 20 per cent in the last three years and its intercontinental traffic by 20 per cent in the last two years.

Promissory note delay in Lagos

By Our Trade Staff

PROMISSORY notes issued by the Nigerian Central Bank as a first stage in settling trade payments arrears owing to uninsured foreign suppliers will be delayed. The delay is attributed to heavy response from suppliers accepting the terms of the repayment proposals and the consequent documenting of claims.

It is now expected the issue of notes will not be completed until early in the new year. It was originally hoped the notes would have been ready by October 1. The processing of the note issue is expected to start soon and be substantially completed by the end of the year.

Debt crisis

The notes, dating from last January 1, will pay interest from that date on an estimated £2bn in uninsured debt from foreign companies caught up in the Nigerian debt crisis. Many of the companies are in the UK and include Unilever.

The terms of the uninsured debt rescheduling were agreed last April after long negotiation. The notes have a term of six years, carry a grace period of 2½ years and have an interest rate of 1 per cent over the London Interbank Offered Rates.

S. G. Warburg, the UK merchant bank, and Chase Manhattan Bank of the U.S., are acting on behalf of the Nigerian Government to reconcile arrears with leading creditors.

EEC newsprint quota demand

BY PAUL CHEESERIGHT IN BRUSSELS

BRITISH NEWSPAPERS are likely to run out of duty-free newsprint by the end of October unless the EEC offers Canada a new quota, Mr Paul Channon, UK Minister for Trade, told ministers of the Ten in Brussels yesterday.

The European Commission should bring forward a proposal to ensure supplies until the end of the year, so that the Ten can make a decisioo on an extra quota next mooth, he said.

Mr Channon was firing the latest shot in a campaign against Italy, which bas coosisteotly opposed the grant of quotas to other newsprint suppliers while it has stocks in hand – stocks that consumers are reluctanl to buy for technical reasons.

"The issue is not concessions to Canada, but that newsprint users in member states should nol be penalised by beiog forced to pay tariffs for oew supplies," Mr Channoo told ministers.

The position for the Ten has become more complicated since Scandinavian countries were giveo duty-free access without quota to the EEC at the beginning of the year.

Canada was offered an interim 1984 quota of 500,000 tonnes, about 200,000 tonnes less than it has normally supplied. This was increased to 570,000 tonnes last July.

Canada has referred its oewsprint problems with the EEC to a panel of experts at the General Agreement oo Tariffs and Trade (GATT) in Geneva, seeking to establish that its trading rights have been impaired. The panel's report is now in draft form.

In Brussels yesterday, Italy made clear it would not lift its objections to a higher quota for Canada until the Gatt panel's report had been examined.

Thai Airways to buy four jets

BY BOONSONG K'THANA IN BANGKOK

THAI AIRWAYS Corporation, Thailand's state-run domestic carrier, has agreed to buy two Airbus Industrie's A310-200 jets and two Short Brothers' 360 turbo prop commuterliners for more than $112m.

A letter of intent has already been issued to the European aircraft consortium for two 266-seat A-310-200s for delivery in 1985 and 1988 respectively. Value of the deal is placed at $105m.

TAC's board also agreed to place an order with the Belfast-based Shorts for two 36-seat Shorts 360s, valued at £6m for shipment early next year.

The Thai airline's decision to acquire Airbus jets will holster Airbus Industrie's presence in the country. Thai Ioternational operates 10 A-300 aircraft and has six others on order.

Thai Domestic's jet fleet now comprises five Boeing 737-200s, four Shorts 330s and two Hawker Siddeley Avro 748s.

Cabinet approval is being sought for the aircraft purchase, but TAC officials said it is unlikely to be turned down.

Lynton McLain adds: Kuwait Airways has sold its three recently-acquired Airbus Industrie A-310 airliners to Boeing, the U.S. aircraft company, in return for three Boeing 767 extended range airliners. Kuwait Airways will pay Boeing an undisclosed sum for the trade-in, which was announced by Boeing yesterday.

Boeing will put the A-310 Airbus aircraft on the second-hand market.

Deliveries of the 767 aircraft will start in March 1986. The aircraft will be powered by Pratt and Whitney JT9D-7R4 turbofan engines.

● The Yugoslav national airline, JAT, Jugoslovenski Aerotransport, appears set to commit itself to buying Boeing aircraft for its passenger fleet, Alexander Lebl writes from Belgrade. The decision has not yet been officially announced.

First Airbus unveiled by Pan Am

By Leslie Colitt in Berlin

PAN AM displayed the first of its new Airbus A-310s in West Berlin yesterday, only five days after the announcement of a letter of intent that the airline would buy 28 wide-bodied aircraft from the European Airbus Industrie and take options on 47 others.

The airliner, decked out in new oversized Pan Am markings, was one of four Airbus types to be used on the West Berlin-to-West Germany routes starting next year. Mr C. Edward Acker, Pan Am's chairman, said the first Pan Am Airbus A-300-B4 model would be put into service in December on flights between New York and Caribbean destinations.

Mr Acker told a news conference that terms for the leasing of the first 16 Airbuses were expected to be announced in November as part of the final purchasing agreement for a deal that might be worth more than $2bn.

Mr Gerald L. Gitner, Pan Am's vice-chairman, added that the airline had been granted a SwFr 100m ($39.6m) unsecured loan for the first half of 1986. Pan Am is to take delivery of the initial Airbuses it purchases shortly afterwards.

M Bernard Lathière, chairman of Airbus Industrie, said that, unlike the sale of Airbuses to Air India on 30 years repayment terms, Pan Am would pay for its aircraft within 10 years. Financing, he said, would be by banks in the U.S., Europe and Japan, under "normal" conditions.

Mr Gitner said that the airline, which lost $120m in the first half of this year and $564m in the past three years, had lower revenue per passenger mile in July and August than last year because of reduced capacity after it sold many aircraft. That was one of the reasons for the leasing of the available Airbuses.

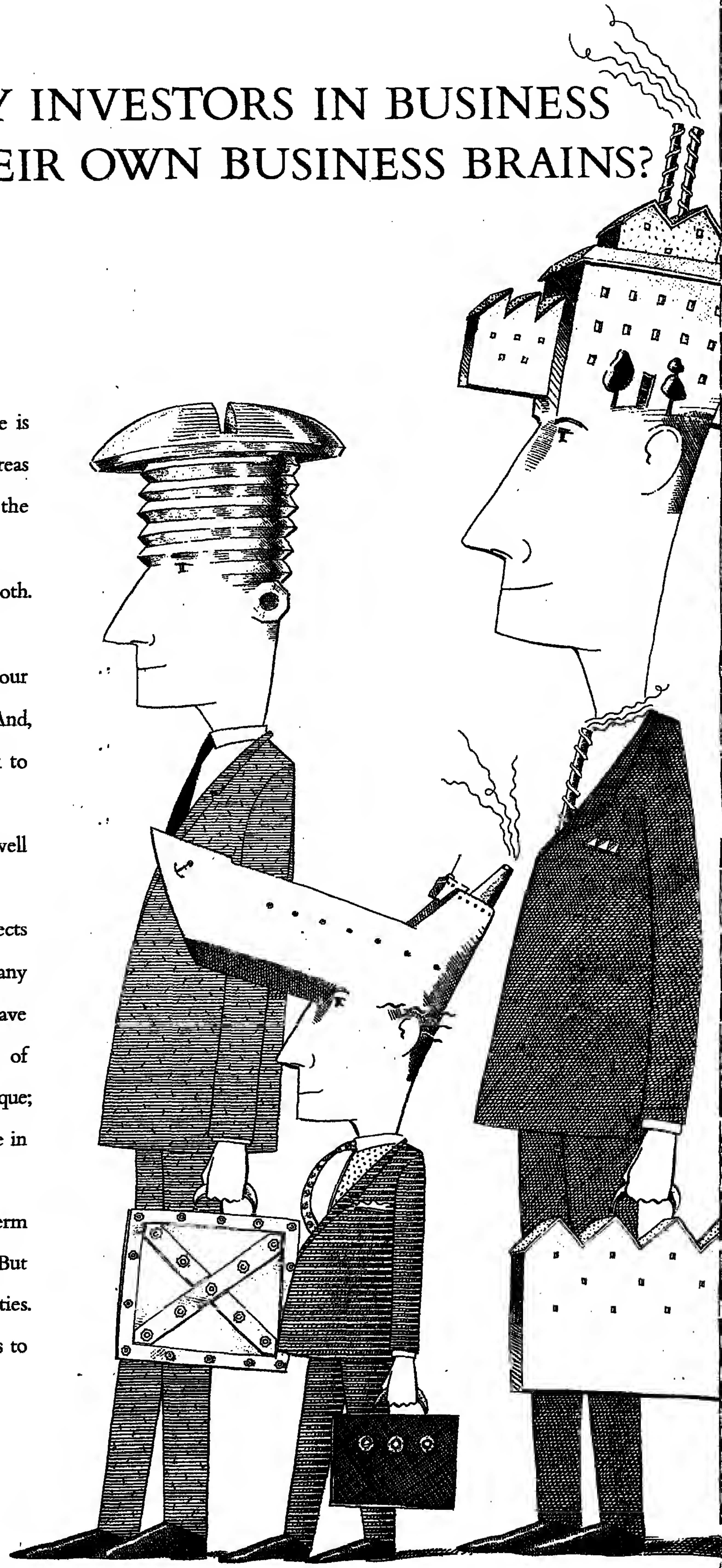
Arco proposes China project

By Paul Taylor in New York

ATLANTIC RICHFIELD, the U.S. energy group, has proposed a multi-million dollar fertiliser plant joint venture with the Chinese Government. The plant would use gas which Arco had found under the bed of the South China Sea as its basic feedstock.

Arco stressed that the plant was still "very much at the drawing board stage." The Los Angeles-based oil company confirmed, however, that it had submitted several proposals to the Chinese which would involve transporting the gas about 65 miles to a plant on Hainan Island, via an underwater pipeline.

Arco believes such a plant might cost about $2.5bn in addition to about $500m needed for the producing wells and pipeline.



TECHNOLOGY

EDITED BY ALAN CANE

AUTOMATING A FACTORY TAKES MORE THAN HARD CASH

How Thorn EMI is growing in robotics

BY GEOFFREY CHARLISH

AUTOMATING factories production tasks takes more than a bold decision to buy intelligent machines. Mr Jack Wilkinson, who runs the Thorn EMI Workmaster robot-making company in Bournemouth, takes the view that in a typical robot application, only 25 to 30 per cent of the value is vested in the machine itself.

The rest is expended in engineering the robot to do the job-specifying gripper requirements, parts feeding and removal, and the appropriate software.

Mr John Deane, managing director of the Thorn EMI Hazmac subsidiary at Maidenhead (of which Workmaster is a part), believes there are large numbers of potential users in industry who need expert help in incorporating robots into their businesses which, as often as not, are not technology based.

"In addition" says Deane, "the typical factory manager is looking to place all-embracing contracts with one company."

Thorn EMI is aiming to become a UK centre of excellence in robotics. It now has a strategy of acquisitions, licensing agreements, and is exporting research and business opportunities within the group.

John Deane joined Thorn EMI last year from Lucas Logic, to create Thorn EMI Robotics. The operation, centred on Hazmac, will draw on fundamental robotics research at the group's Central Research Laboratories at Hayes as well as computing expertise in other subsidiaries, including Software Sciences, Datasolve, Dynatel and Micrologic.

In May Hazmac acquired the Workmaster robot business from Ajax Machine Tools, not long after Hazmac itself had been bought by Thorn EMI. Workmaster is an all-British heavy duty unit for which sales are just beginning. Hazmac has a strong background in materials handling.

Licensing agreements with Yaskawa, the Japanese robot manufacturer have been set up. More recently, Hazmac became an IBM "Systems Integrator," *that is, a company approved* by IBM for the use of its machines in turnkey robotics applications.

The company is working with a big brewery and a furniture maker, which it is unable to name. The brewery application is concerned with loading and unloading the heavy kegs of beer on to drays and removing the empty kegs—quite a dangerous manual job. The Workmaster machine, able to carry loads of 500 kg, is being used.

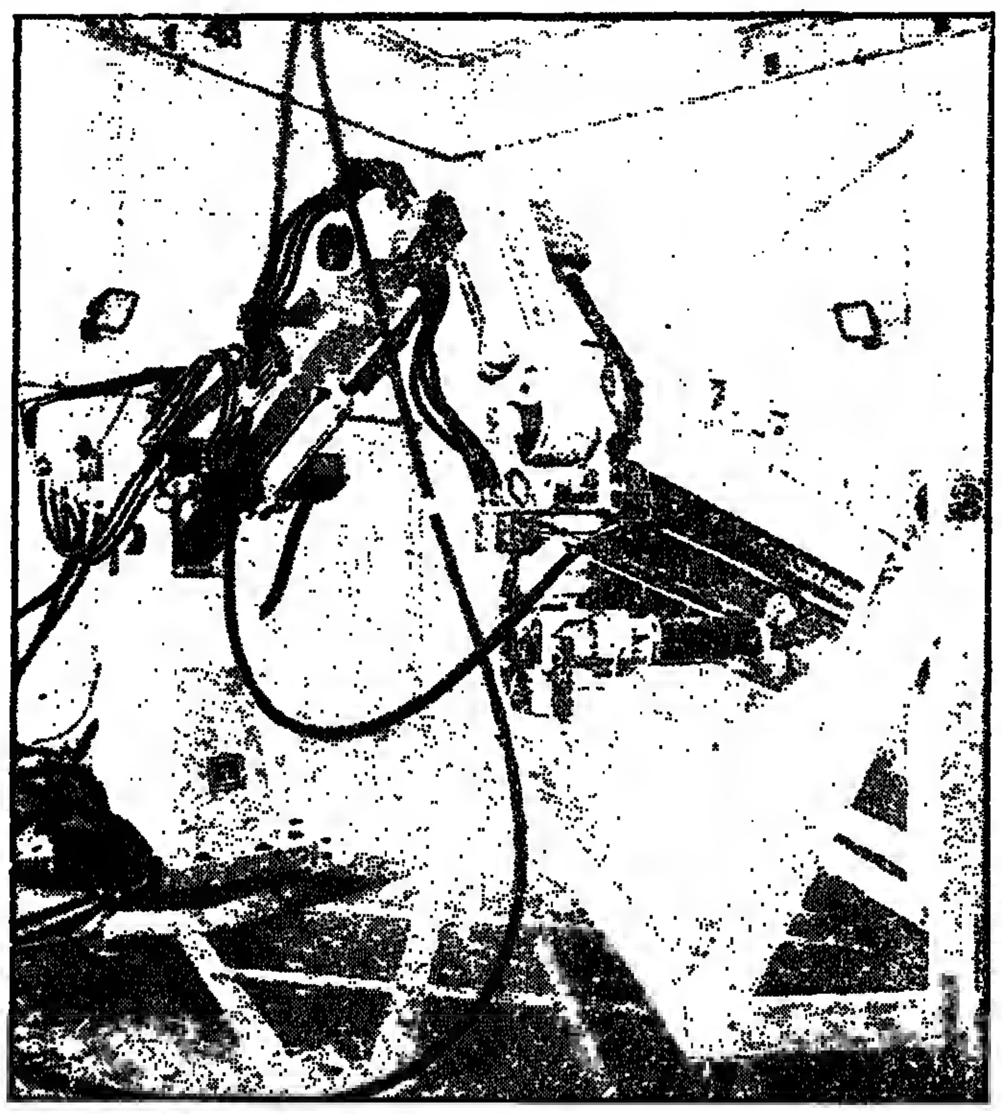
In the furniture project, a Yaskawa unit is fitted which automatically staples seating cloth to the underside of cushions and chairs, so performing an otherwise boring job with consistent accuracy.

Robot stapling is also being applied to the television set industry where, in some designs, the plastic grilles and support pieces are stapled to the basic chipboard cabinet. Screw running has been abandoned for cost reasons.

A *good deal of* emphasis is being placed on using robots for jobs that are otherwise dangerous, boring or unpleasant. These are also jobs which, generally speaking, will produce minimum objection from workforces on the basis of job losses.

One project at Maidenhead detects radio energy leaks from a microwave oven on a British production line. Although the health risks are small, the job can be done in complete safety by a *robot.*

Grasping a microwave detection instrument, the robot tip moves round the door seal and also inspects the oven's generator sections looking for leaks. The line will be stopped and the unit sent back for rework if a leak is discovered.



The "Workmaster" robot cleaning F-111 tail fin assemblies at British Aerospace. Pressures of up to 7,000 lbs a square inch are used

Several of the projects at Hazmac are based on likely requirements within the Thorn EMI group, in which electronic circuit board and general electrical assembly are predominant.

In conjunction with the Central Research Laboratories at Hayes, the company is, for example, looking into automated assembly of electrical instrumentation.

The laboratories have already demonstrated how a robot can take parts in sequence from a pallet with nests and fix them into a casing at quite high speeds. A particularly impressive tool/gripper changer has been developed which changes the unit at the end of the robot arm in one non-stop pass over the tool magazine.

Like IBM itself, Hazmac is also working on the insertion of components into printed circuit boards, using the IBM gantry robot. Harry Farmer, applications engineering manager, believes there are many cases where dedicated component insertion machines, intended for standard semiconductor chips and handolier-fed items, are not useable. For a variety of non-standard items, often found, for example in vehicle dashboards, robot picking and assembly will be the answer.

It is strongly rumoured that Thorn EMI is developing a robot of its own. Mr Deane will not be drawn however, merely pointing out that £1m is being spent this year on robotics research and development.

● YAMAZAKI has developed a CNC (computer numerical controlled) machining centre suitable for unmanned operation.

Known as the H-15J, the machine has automatic workpiece cleaning and centring, automatic bore measurement, adaptive feed-rate control and special chip removal facilities.

An advantage of the H-15J is that its modular design enables the machine to be expanded if future requirements change. Tool magazines are available in modules of 40 to 320 tools. Similarly, workpiece pallet changers have carousel or rack arrangements which can be added to if required.

BUSINESS TERMINALS

Polynet and Kennet: names for ICL and BT to compete with

LOGICA VTS, a major office automation company, is attacking the networked business terminal market with two product families carrying the Logica brand name.

Much of the company's business has, so far, been in supplying workstations to other organisations such as ICL and British Telecom, and the emphasis has been on word processing. The work for BT is worth £10m under an agreement running into next year. Now Logica is in direct competition with its customers.

The first of the new systems, called Polynet Office System, makes use of the previously introduced Polynet local area network to interconnect the workstations. It is a high performance (10 megabits a second) system for text-based office applications such as document preparation/filing and electronic mail, as well as local data processing.

Communication to existing DEC, ICL and IBM mini and mainframe computers and to external services is also provided. A single user version is available.

The second product is the Kennet Businses Computer, a rather slower distributed business computing system based on the Arcnet (licensed from Datapoint) local area network running at 2.5 megabits a second. It too can be supplied as a single user unit in effect a personal computer), or it can be clustered, with one processor driving several screens.

The workstations have three components. A separate screen unit on pedestal mounting is normally placed on top of the flat-shaped processor/storage unit, while the keyboard is detachable.

Logica VTS believes these products will cover most of the multi-function workstation market, which is now the fastest growing segment of the computing products industry. They are the result of the largest single internal development in Logica's history and "several millions of pounds" have been spent.

A single-user Polynet system has a starting price of under £5,000, for which the user gets 512k of random access memory, two diskette drives, a letter quality printer, a text-handling software licence and user manuals. A basic 10 station network would cost between £50,000 and £60,000.

Kennet workstation prices range from £1,950 to £5,850, depending on memory and disk facilities. For example, a single-user system with 256k of memory, two floppies, one parallel printer port, operating system licence and manuals costs £2,495. A basic 10 station Kennet starts at £28,000.

The single user workstations are available now; deliveries of multi-user systems will start in volume within about three months.

Logica has spent several million pounds on the polynet system

The Polynet and Kennet hardware are externally identical to the ICL and BT products. Dr Pat Coen, chairman of Logica VTS, points out that the differences are to be found in overall system make up and in the software.

All this activity is turning Logica's Swindon location into one of the larger workstation design and production plants in Europe — the September throughput will be over 1,000 units. An additional building has been acquired, raising the total space to 80,000 sq ft and the head count has risen to about 250.

Manufacturing manager Roger Appleton is currently organising a change-over from batch to serial production and the latest electronic component insertion machinery from Universal Instruments Corporation is going in. It can deal with the 15 x 13.5 in main processing board, containing nearly 200 integrated circuit chips in about 10 minutes. A Harwin terminal pin inserter is also being commissioned and a Zehntel 800 autotest unit deals with in-circuit testing.

G.C.

Computing

Bill Gates to speak in London

MR BILL GATES, chairman of the leading U.S. software house Microsoft and one of the most influential figures in the personal computer business, has broken a year's self-imposed seclusion to give the keynote address at the Financial Times' Second Professional Personal Computer Conference in November.

The star-studded list of speakers includes Mr Ben Rosen, of Compaq Computer, Mr Susumu Aizawa of Epson, Mr Mitchell Kapor of Lotus Development Corporation, the driving force behind Lotus 1-2-3 and Symphony, and Ms Louise Kehoe, the FT's computer specialist in Silicon Valley. More details from FT Conferences on 01-621 1355.

Automation

Club for robotics launched

A LABORATORY Robotics Club has been launched to promote and foster the use of small robots in laboratories.

Established by representatives from the Laboratory of the Government Chemist, industrial laboratories, universities and polytechnics, the aim of the club is to encourage the development of robot-based automated systems to be used in laboratory scale operations.

The club will disseminate information, provide access to consultancy services and sponsor the development and manufacture of specialised instrumentation.

More details from Mr D. G. Porter on 01-928 7900 ext 691.

ENERGY REVIEW

Why Brazil's nuclear plans are in disarray

By Andrew Whitley in Rio de Janeiro

BY THE end of this month, Brazil's first nuclear power station, a trouble-plagued PWR unit supplied by Westinghouse, may—just may—start pumping electricity into the national grid, as planned.

The odds are not good that it will achieve this modest goal, given the problems of the past. But Furnas, the Rio de Janeiro state electricity authority, is becoming desperate for a return of any kind on the estimated U.S.$1.8bn it has already spent.

Work was *started on* Angra 1, the U.S. reactor, 12 years ago: before American fears over Brazil's nuclear ambitions put a lengthy chill on bilateral relations in this field. It was *completed, so to speak, in* March 1982—five years behind schedule—*and started* up.

In the intervening 30 months, the costly power station has *repeatedly broken down*, to the great embarrassment of Westinghouse and the mounting fury of the Brazilian Government.

Privately, Furnas technicians say they do not believe Angra 1 will ever run at its full rated capacity of 626 Mw. The best they believe they can hope for is half power.

Hardly surprisingly, the abject failure of Angra 1 has cast a funereal pall over the already gloomy Brazilian nuclear energy scene. The causes are plain to see:

- Nuclebras, the national supervisory body, *is heavily debt*-ridden and deeply demoralised. Many of its top technicians and officials have left.
- The foreign bankers on whose largesse the continuation of the programme depends are fed up and want to spread their risk.
- The opposition presidential candidate, Sr Tancredo Eves, who could well come to power next March, is threatening to pull the rug from under the industry's feet by revising the 1975 Brazil-West Germany nucler accord.
- And the military — without whom Brazil probably would not have entered the arena at all — are about to be sidelined from power.

In short, the country's once highly ambitious nuclear programme, originally destined to generate 10,000 Mw of electricity by 1990, is in disarray.

Taking stock to date: after an expenditure in direct and financial costs likely to reach U.S.$6bn by the end of this year, Brazil has precious little to show for its money.

Most of what there is to see lies on a picture-postcard beach halfway between Rio de Janeiro and Sao Paulo, on the Angra dos Reis bay. Alongside the completed U.S. power station stands much of the physical evidence of the nine-year-old pact with West Germany.

Angra 2, the first of eight, 1,245 Mw units scheduled to be built by Kraftwerk Union (KWU), the Siemens subsidiary, is about half-finished. Work is proceding at a snail's pace. A stone's throw away, the site has been prepared for its twin *sister*, Angra 3.

Under the terms of the 1975 agreement, much criticised in the U.S. at the time, Angra 2 should have been in operation by 1982. Instead because of, first, technical hold-ups and, later, budget cut-backs commissioning cannot now begin before mid-1989, with commercial operation a year later. Angra 3 is about 18 months further down the road.

As for the next two German nuclear plants, Iguape 1 and 2, only preliminary site work has been accomplished, and that was halted in early 1983 when it was decided to defer a decision on their construction to the next Brazilian Government.

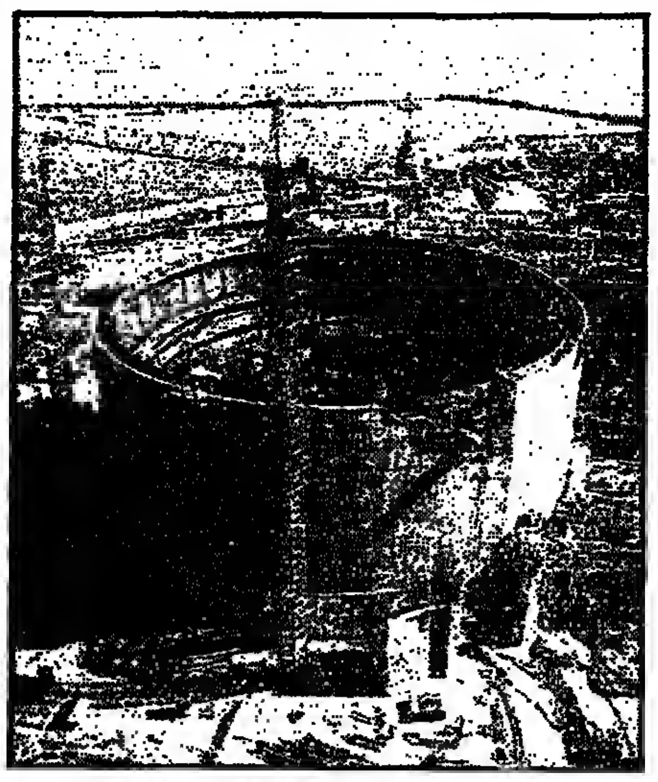
Signed amid much fanfare at the time, the Brazilian/West German agreement provides for the construction of eight, 1,245 Mw power stations, originally by tha year 1990, as *well* as the transfer of technology for the reactors and the complete nuclear fuel cycle.

If Brazil decides to reduce the number of power stations it builds under the programme, it does not risk a financial penalty. But, as KWU officials say carefully, they would "obviously" have to reconsider their involvement in the fuel cycle development.

Contracts have so far been signed only for the construction of four of the eight units. But no firm equipment orders have yet been placed for either Iguape 1 or 2 and KWU, realistically, does not expect a decision for at least a year.

Meanwhila, tha industrial town of Resende, northwards across the coastal mountains from Angra dos Reis, contains what is planned to be the heart of Brazil's controls over the complete nuclear fuel cycle.

The country already has the world's fifth largest proven reserves of uranium ore, 301,000 tonnes. But exploitation is currently limited to the production of "yellowcake" uranium concentrates, at one site on the Pocos de Caldas plateau in Minas Gerais state. This is then exported, either to Western Europe, for conversion and enrichment, or else, as at present, to Argentina in return for borrowed yellowcake.



Angra 2, KWU's first power station in Brazil.

Within the Resende industrial complex a nuclear fuel element fabricating plant, set up with help from KWU, is already in operation. The first cascade in a demonstration *enrichment* plant, *in which* Steag and KWU, through its Interatom subsidiary, are the main foreign partners is also due on stream by the end of tha year.

The other two units on the complex — uranium conversion plant, to be built by France's Pechiney, and a fuel separation unit—are still at the drawing board *stage*.

The biggest success story so far in the disjointed Brazilian nuclear programme has been the manufacturing subsidiary of Nuclebras, Nuclep. Together with KWU, Gutehoffnungsbutte Sterkrade AG (GHH) of West Germany and Voest-Alpine of Austria, which hold minority shareholdings, this plant produces high quality pressure vessels, steam generators, and other heavy components at Santa Cruz, 35 miles west of Rio de Janeiro.

Capable of turning out at least one complete set of nuclear components a year, Nuclep has been badly affected by the slowdown in the Brazilian construction programme. Piggy-backing on KWU tenders for complete power stations, it is thus scouring the world for work.

So as not to put all their eggs in the German basket, the military-led governments of recent years have signed a plethora of co-operation agreements with other countries, *ranging* from the U.S. to China and Iraq. But in reality they know these would provide small comfort — at least in the medium run—if the German accord were revised.

Despite the recent improvement in relations, the U.S. Government remains blocked by law from providing any significant assistance, because of Brazil's refusal to sign the Nuclear Non-Proliferation Treaty. Not that there is any hard evidence to suggest that the Brazilians may be contem*plating developing a nuclear* weapons capability at some future date.

The reprocessing facility needed to make plutonium, envisaged under the West German agreement, is still many years away—if it ever happens. KWU, for one, plays down the question of a "non-essential" item in the US$4.5bn nuclear fuel programme, although both it and Nuclebras are still committed on paper to building such a plant.

KWU knows that apart from the lack of political alternatives for the Brazilians, at this stage of development, its strongest lever to ensure the maintenance of the eight power station programme is its control over the technology transfer bundle of agreements.

Whether Brazil will need the hugely expensive enrichment and reprocessing facilities it is considering, and can justify them financially at a time when resources are going to be more limited than in the past, is another question. At worst, the power station programme may be limited to the three either built or under construction. More likely, Brazil will eventually stop at five — stretched to the end of the century.

Sr Dario Gomes, Nuclebras president, a former hydro-electric engineer brought in 18 months ago as a "book-keeper" for an organisation which had grown too big for its boots, describes the record to date as "a success." As be sees it, tha only problems are financial, not technical.

However, technology will be irrelevant if Nuclebras is unable soon to reduce its crushing debt burden. Over the past two years debt servicing, within a budget backed in line with all state spending, has virtually relegated the nuclear programme to a "care and maintenance" status.

On its original 1984 budget of Cruz 1,074bn (US$494m), financial costs represented a full 45 per cent. Investments were only 40 per cent — a quarter of what is needed to maintain the construction programme on its revised schedule.

To meet the new timetable set in 1982, which stretches the entire programme to the end of the century, Nuclebras should be investing between US$1.2bn and U.S.$1.5bn a year, exclusive of financing costs.

Sr Gomes is hopeful that Brasilia will agree shortly to increase his budget to Cruz 1,431bn for this year. But as *the first budget was* based on a deliberately low inflation estimate of 75 per cent, compared with the actual 220 per cent, even that nominal increase represents a further cut in real terms.

Not that the nuclear programme, despite its apparent lesser priority at a time of overall national austerity, has *in reality suffered* any worse than the average Brazilian state sector company. The strong military interest in keeping the programme alive appears to have been responsible for at least salvaging its last two annual budgets from the rubbish bin.

Foreign banks, mainly German, will be responsible in 1984 for over 60 per cent of the Nuclebras budget, but a substantial proportion of the new money, being put up under the umbrella of Brazil's global debt refinancing programme, is *simply being used to pay* themselves back the interest on the money already lent.

And if it were not for the involuntary nature of this lending, the nuclear programme's coffers would be in very dire straits indeed, as one leading banker involved admitted.

The total costs of the Brazilian nuclear programme have always been nebulous. Officially, direct costs for the eight power stations are still put at $15bn. But this estimate—based on an average cost per installed kilowatt of U.S.$1,500—has long since been overtaken.

The cost of Angra 1, the Westinghouse station, is probably near U.S.$3,000 per kilowatt, whila the Nuclebras president said Angra 2 would cost US$1,800 per kilowatt.

"Plan 2000," Brazil's energy master plan to the end of the century, drawn up in 1982, contains an investment figure for Nuclebras equivalent to U.S.$ 24bn for the period 1985 to 2000. Add, conservatively, another one-third for financial costs, and Brazil could be faced with a total bill in the region of U.S.$ 40bn, for its planned 10,600 Mw of nuclear capacity and the full fual cycle.

Hard decisions will have to be made by the incoming Brazilian Government, over the degree of self-sufficiency it wishes to achieve and the cost/benefit of nuclear power against other energy sources, notably hydro-electric power. Until the dust settles, tha best the German suppliers can do is to lie low and hope time and institutional continuity work in their favour.

APPOINTMENTS

Chief executive of MK Electric Group

The MK ELECTRIC GROUP has appointed Mr Roger Frank Leverton as a director and group chief executive. He was with the Black and Decker organisation where until recently he was the director responsible for Southern European operations. Mr David L. M. Robertson continues as group chairman but relinquishes the role of acting group chief executive.

★

Mr Kenneth Dorward has been appointed managing director of BRENTFORDS, a division of Lonrho Textiles, based at Cramlington, Northumberland. Before joining Brentfords, Mr Dorward was chief executive of two companies, Pamton Foods and Axe Stores. These companies trade nationally and are a Northern based discount grocery group whose holding company is Supermercati-PAM of Venice.

Mr Kenneth Dorward, managing director of Brentfords

★

ALLIED-LYONS is appointing a director of Middle East trade, Mr R. O. K. Barrow, from October 1. He is overseas manager of Britvic. Mr Barrow will be based at Allied House, London.

★

Mr James Lunn has been appointed managing director of BRANTFORD INTERNATIONAL, a division of Furness Withy (Terminals). He was managing director of Cargo System Holdings, Hong Kong. Mr Frank Robinson, the previous managing director, has reverted to his original position of vice-chairman of the company. Mr David Montler has been appointed a director in place of Mr Tom Pulley, who has retired. Also appointed to the board is Mr Peter Bennett, managing director of Furness Withy (Terminals). Mr Derek Harrington remains as chairman of Brentford International. As part of the continuing expansion of Furness Withy (Terminals) Mr Reginald Tubbs will take a new role in the financial management team of the company. At present financial director, he is to become responsible for the financial appraisal of new overseas projects. He will also be responsible for monitoring the financial performance of the company's terminals abroad. Mr Frank Robinson has been appointed to succeed him as financial director.

★

A BRITISH-LEBANESE ASSOCIATION has been formed. The president is the Lebanese Ambassador, General Ahmed el Hajje. The chairman is Sir David Roberts, recently British Ambassador in Beirut and presently director general of the Middle East Association. The aims of the British-Lebanese Association are to strengthen the ties between Lebanon and the UK.

★

CORRECTION

Mr Peter Willison has been appointed regional director and general manager at the South *Midlands regional* head office of LLOYDS BANK, based at Aylesbury. He succeeds Mr Tony Davies, who is to be made a general manager of the bank but who is to be seconded to *Lloyds Bank International* as treasurer with responsibility for exchange and money market division.

★

Mr Ignace Van Kan has been appointed senior regional manager in NATIONAL WESTMINSTER BANK'S London office for the Far East and Australasia. Prior to this appointment, Mr Van Kan was senior manager of National Westminster Bank's executive office for the Far East and Australasia based in Singapore.

★

BLA BUSINESS PUBLICATIONS has appointed Mr Barry Bliss as managing director. He takes over from Mr Brian Laby who remains as chairman. Prior to joining BLA in 1982 Mr Bliss was a director at Saward Advertising.

★

Mr Michael Bell has been appointed a director of SCOTTISH EASTERN INVESTMENT TRUST from October 1. He is an executive director of Coats Patons and a non-executive director of Anderson Strathclyde.

★

Dr W. J. Ian Johnston has been appointed general manager of GEC (RADIO & TELEVISION) in succession to Mr W. R. Bosanko who has taken a post outside the industry. Dr Johnston was technical manager with responsibility for new product development.

★

The Consultative Committee of Accountancy Bodies has appointed Mr Stanley Thomson, as vice-chairman of the ACCOUNTING STANDARDS COMMITTEE in succession to Mr James McKinnon, who has retired. Mr Thomson is director of finance of Ford Motor Co.

Impala Platinum Holdings Limited

(Incorporated in the Republic of South Africa)

	1983/4	1982/3
	R million	
Consolidated Profit for year	268.7	174.9
Profit after taxation and lease consideration	133.5	91.6
Dividends paid	77.8	49.0
per share	135 cents	85 cents

STATEMENT BY THE CHAIRMAN, Mr. E. PAVITT

MARKET

Stimulated by the resurgence in the American economy, demand for platinum from industrial consumers in the western world is estimated to have grown by some 10% over the level attained in 1982/83. It would appear as if industrial consumers, in this period, turned largely to the South African primary metal producers, who have adjusted production and stock levels in an endeavour to meet the sharp increase in demand. The considerable lead times involved in bringing new production on stream can be expected to limit the producers' flexibility in meeting these increased consumer requirements for platinum in the short term. The overflow of industrial demand is likely, as a consequence, to impact on platinum stocks in the free market in the year ahead.

The major factor in the improvement in American demand for platinum during the past year has been the strength of the USA economy. After recording a real growth of 3.3% in 1983, the rate of increase more than doubled in the first six months of 1984. As in 1983, growth continues to be led by the automobile and capital goods sectors, and this, together with an improvement in consumer confidence has contributed to a satisfactory rebound in most of the platinum consuming sectors of the economy.

After declining by 12.5% in 1983, Japanese consumption of platinum has risen steadily during the first half of 1984. As in the United States additional requirements from the automobile and electronics industries have been the main contributors to the firming of demand.

Prospects, in the longer term, for a substantial boost to European platinum consumption through the introduction of regulations governing exhaust emissions on motor cars and the production of lead-free petrol, have recently received support from European Economic Community agencies.

In November 1983 Ayrton Metals Limited, Impala's UK marketing subsidiary, undertook the marketing of a legal tender, one ounce, platinum coin – the Noble – on behalf of the Isle of Man government. Sales in the eight month period ending in June 1984 have been well above initial expectations, adding over three tonnes to investment demand for platinum.

OPERATIONS AT THE MINES AND REFINERIES

It was mentioned in the interim statement that platinum production was being increased in line with notified demand from customers. This trend continued for the balance of the year and every effort was necessary to build up production to match the increased off-take of metal. To establish additional working faces in the mines is always a slow and costly exercise.

As a result of the cut-back in the scale of operations during 1982, certain capital projects, and in particular the shaft replacement programme, had been slowed down or stopped. These programmes have been re-activated.

FUTURE OUTLOOK

Prospects for further growth in the platinum market during the year ahead appear favourable. If the authorities in the major western economies can successfully contain inflation at present levels without allowing interest rates to become prohibitive, demand for platinum in the chief consumption sectors – automobiles, jewellery and electronics – is expected to continue to grow in the next twelve months.

In view of the anticipated growth in demand for the company's products during the forthcoming year, and despite the fact that by 30 June 1984 part of the company's US Dollar turnover, to be received during the current financial year, had been sold for forward delivery at exchange rates less favourable than the current spot rate, it is expected that the profit for the current financial year will at least equal that of the previous year.

Johannesburg, 4 September 1984

The above has been extracted from the Chairman's Statement. Copies of the Annual Report including the full statement may be obtained from the London Secretaries, Gencor (U.K.) Limited, 30 Ely Place, London EC1N 6UA.

CANADIAN BUSINESS

Recession and debt burden pin Hudson's Bay in the red

BY BERNARO SIMON IN TORONTO

MODERN retailing is proving as much of a challenge to Hudson's Bay Company as the pioneering rigours of fur trading in the 17th and 18th centuries.

The Canadian department store, energy and property group, the roots of which go back to a Charter granted by King Charles II to 18 adventurers setting off for North America in 1670, suffered a C$106m (US$80m) loss in the six months to July 31 on revenues of C$2.1bn (US$1.6bn). Despite an expected seasonal improvement in the second half of the year, Mr Donald McGiverin, the company's president, who also still carries the title of Governor in terms of its Royal Charter — concedes that a loss is likely for 1984 as a whole.

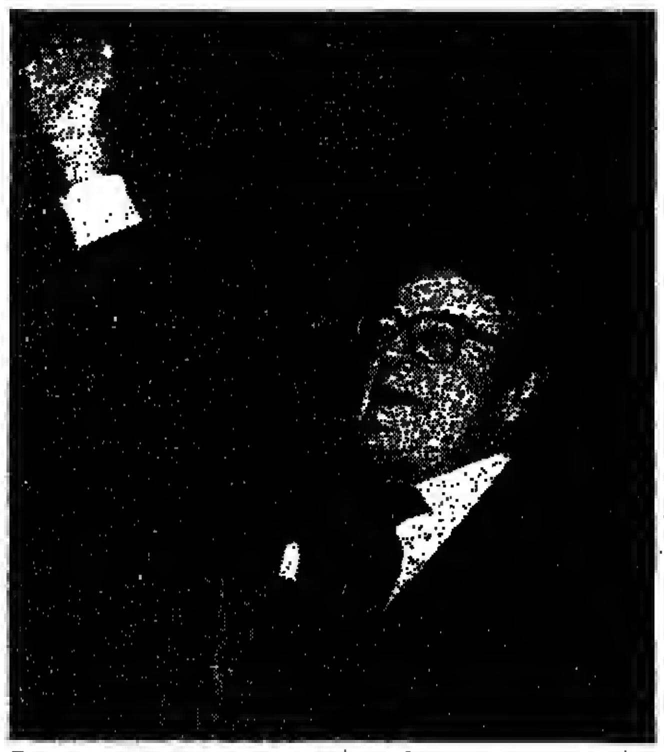
Last year's results — a net profit of C$64.9m — were buoyed up by extraordinary gains of C$83m from the sale of energy and retailing interests. But a heavy interest burden has wiped out operating profits for the past three years. Pretax losses between 1981 and mid-1984 total C$331m. At the end of last year, Hudson's Bay owed its lenders C$1.7bn. One consolation is that its debt burden stood at C$2.3bn a year earlier. Proceeds of recent asset disposals have been applied to repayment of debt.

Mr McGiverin blames the recession and high interest rates for the company's problems, which are centred on its department store operations. Hudson's Bay operates some 270 department stores across Canada, more than 300 other retail stores and 16 associated distribution centres.

Department stores in Canada have failed to keep up with overall retail spending in recent years. Clayton Research Associates, a Toronto-based group, forecasts that their sales will rise by 7.8 per cent this year, compared with an expected 10 per cent rise in total retail sales.

Competition is stiff among the chains themselves, which are being bled by the cost of maintaining operations in quiet city centres as well as a plethora of suburban malls. As Mr McGiverin puts it: "Everything is on sale 100 per cent of the time." In addition, renewed efforts recently to unionise department store employees could push up labour costs.

There is considerable evidence, however, that Hudson's Bay itself must share the blame for its predicament. Toronto investment analysts are strongly critical of the group's management, arguing that it lacks marketing flair, has shown poor judgement in its acquisitions and has positioned the bulk of the group's retail operations in low-growth market segments.



Donald McGiverin, *the governor, selling furs in London.*

The biggest drain on Hudson's Bay has been Simpsons, a chain of pleasant, up-market stores acquired from Sears-Roebuck six years ago. According to Mr McGiverin, "human chemistry" held back the implementation of new systems and modern technology. For several years, he recalls, Hudson's Bay tended "to be giving advice, rather than instructions" to Simpsons' management.

The group is currently integrating Simpsons backroom operations with those of its other up-market chain, The Bay. The two groups will share computer systems, warehousing and distribution. Two Simpsons stores have been closed, but Mr McGiverin says "the emphasis is not on closing, but on fine-tuning within the group."

Part of this strategy has been to strengthen the more basic—but more profitable—Zellers chain, also acquired in 1978. Zellers is geared to lower and middle-income families, sticking mainly to merchandise which does not require much storage space or home delivery. More than 20 Bay stores have been transferred to Zellers.

Hudson's Bay's room for manoeuvre is limited, however, by its earlier decision to take an equity stake in shopping centres where its department stores are located. Through Markborough Properties, its wholly-owned real estate arm, the group owns 21 shopping centres in Canada and has an interest of between 10 per cent and 50 per cent in 28 others. These property investments make it difficult to close down or move unprofitable department stores.

Markborough's other interests centre on office blocks, industrial buildings and land development. As a result of higher land sales in the U.S. sunbelt, its contribution to group profits more than doubled in the first six months of this year and Mr McGiverin says that Hudson's Bay is keen to expand its real estate operations.

The group's 52.4 per cent oil and gas subsidiary, Roxy Petroleum, contributed an insignificant share of 1983 operating income. The real story of the involvement of Hudson's Bay in the energy sector lies in its present holding of 4.1m preferred shares as well as over 5m warrants for common shares in Dome Petroleum, the ailing Calgary oil and gas producer, now in the throes of financial reorganisation. The warrants are exerciseable at C$23.11 a share, compared with the current market price of some C$3, and are valued on the Hudson's Bay books at a total of C$1.

Hudson's Bay acquired the Dome shares in early 1982 as payment for its 10 per cent stake in Hudson's Bay Oil and Gas, one of Canada's biggest and most respected energy producers. "We would have preferred still to be in HBOG," Mr McGiverin says, referring to the way Hudson's Bay was outflanked by Dome during the latter's bid three years ago for Conoco, the U.S. oil company, which had a 57 per cent interest in HBOG.

There is little chance of disposing of the Dome investment for several years. Hudson's Bay is the only holder of the class of preferred share which it owns and, not surprisingly, there is no great demand for Dome stock at present. Under Dome's debt-rescheduling plan, the preferred shares owned by Hudson's Bay will be reclassified as convertible stock, at least making them more marketable if and when Dome's fortunes improve. The preferred shares, valued at cost, are worth $61.7m.

Hudson's Bay itself is now 73 per cent owned by the Thomson publishing family. But its links with its pioneering past are still maintained through its international fur trading activities.

According to Mr McGiverin, a well-known plain speaker, the fur business "goes up and down like a toilet seat—it's very volatile."

Rise in state borrowing threatens £7.2bn target

BY PHILIP STEPHENS

BRITAIN'S public borrowing totalled £1.5bn in August, bringing the total since the start of the financial year in April to £6.6bn, according to official estimates released yesterday.

The increase was higher than expected and raised some doubts in the City of London over whether the Government would be able to hold down the public sector borrowing requirement (PSBR) for 1984-85 to the £7.2bn forecast in the budget last March.

The Government, however, remains confident that increased revenues in the second half of the year will allow the target to be met.

Officials in Whitehall last night pointed out that the Treasury had long predicted that virtually all of the PSBR would be loaded into the first half of the financial year.

They said that a £1.2bn inflow to the Treasury from changes in the payment of value-added tax on imports, the receipts from the flotation of British Telecom in November and an expected £500m rebate from the European Community were likely to keep government spending and revenues in rough balance in the second half.

The Treasury will also benefit from higher oil revenues caused by the fall in the value of sterling against the dollar, with each 1 per cent drop adding about £100m to Treasury receipts.

Economists in the City are unsure over whether these factors will be sufficient to outweigh higher spending by local authorities, the cost of the miners' strike and public sector pay settlements above the 3 per cent norm set by the Government.

The Treasury's view is that these can be covered by a £2.75bn contingency fund set aside for unexpected outlays.

There is some concern in the City that this fund may already have been exhausted, while the miners' strike is still adding an estimated £100m per month to public spending.

Mr Stephen Lewis, senior monetary economist at broker Phillips & Drew, said yesterday that he was now forecasting a PSBR of £8bn for the whole year, a view which appears to be widely shared.

Industry leaders begin leak inquiry

By John Hunt

AN INQUIRY is being held within Britain's state industries to find the source of a leak of government plans to curb the powers of state-owned industries.

Mr James Driscoll, head of the Nationalised Industries Chairmen's Group, yesterday rejected any suggestion that the leak had come from a senior member of the nationalised industries, but he thought that photocopies might have been taken of a letter he had signed.

Mrs Margaret Thatcher, Prime Minister, does not intend to institute her own inquiry.

Proposals made by Mr Peter Rees, Chief Secretary to the Treasury, to the chairmen's group would establish a new framework that would allow the Government to dismiss board members, sell assets and set profit targets.

The idea was leaked at the Liberal Party assembly this week. It is the latest in a long series of leaks and follows recent disclosures to Mr Tam Dalyell, a Labour MP, about the sinking of the Argentine cruiser General Belgrano during the south Atlantic war, and the case of a Whitehall civil servant who was recently jailed for passing information to a national newspaper about the siting of cruise missiles in Britain.

On this occasion, however, the Government is taking a more relaxed attitude and is not suprised that the topic, of which all nationalised industry chairmen were aware, should have found its way into the press.

Selected personnel at the Treasury were given a briefing some time ago so that they could be prepared if news of the discussions leaked out.

The proposals, which might form the basis of legislation, came under attack from the Labour Opposition yesterday but were defended by Mr Norman Tebbit, Trade and Industry Secretary. Mr Tebbit said it would mean that power in the public sector would be returned to the marketplace.

Mr Peter Shore, Labour's Trade and Industry spokesman, said he suspected the Government was seeking to stifle any signs of opposition from the boards of nationalised industries.

Liberal leaders stress strength of Alliance

BY KEVIN BROWN, POLITICAL STAFF

Liberal Party assembly

LIBERAL leaders launched a campaign yesterday to counter criticism of the Social Democratic Party (SDP) and to stress the permanence of the Alliance between the two parties.

The assembly was shocked, however, when Mr Bill Rodgers, vice-president of the SDP, demanded that parliamentary seats should be equally divided between the two Alliance partners at the next general election.

There were shouts of "rubbish" when he urged Liberals to accept the parliamentary seat distributions agreed for the 1983 election, when each party fought about 300 seats. The Liberals won 17 seats, but the SDP only six.

The Alliance, Mr Rodgers said, was a complementary and equal partnership in which there could be no question of a senior partner or first and second-rank leaders.

The Young Liberals have already demanded a 70 per cent share of parliamentary seats on the grounds that the Liberals have twice the membership of the SDP and a superior party organisation. Liberal leaders are also aware of the need not to demoralise party workers in SDP-led constituencies by institutionalising the present arrangements.

Mr Alan Watson, the Liberals' new president, told delegates that neither party wanted to disenfranchise, demoralise or demotivate activists. The Alliance had "extraordinary electoral potential," however, and it was essential to "weld a force that our enemies cannot prise apart."

Mr Watson said: "What is being put to the test is nothing less than our ability to practise what we preach – to make a reality of the new politics which replaces confrontation as the basis of the political system."

Mr Paul Tyler, the party chairman, said there could be "no lingering doubts" about the permanence of the Alliance. "For a small minority of both parties, the future is only foreseeable for as long as it suits them. For the great majority of us permanent remains permanent, at least this side of proportional representation."

Mr Tyler said there was broad agreement that an immediate merger would not be practical, even if it was desirable. The leadership and membership of both parties had demonstrated that they preferred to set a converging course, encouraging organic evolution through increasing integration.

Secrecy in Britain 'becoming a disease'

By Ivor Owen

SECRECY IN Britain was becoming a disease, Mr Des Wilson, one of the leaders of a UK campaign for freedom of information, told the assembly. He successfully called on the party to renew its own campaign to secure the introduction of a Freedom of Information Act.

He accused Mrs Margaret Thatcher, the Prime Minister, of misusing the blanket provisions of the Official Secrets Act in a cynical practice of power which also extended to manipulation of the media.

Mr Wilson recalled that section 2 of the Act had been condemned by the Franks Committee as far back as 1972, and by Mr Leon Brittan, the Home Secretary, and Sir Michael Havers, the Attorney General, when they were on the opposition benches in the House of Commons.

"No one will any longer defend this Draconian piece of legislation with its indiscriminate imposition of secrecy upon every Whitehall document, no matter what its importance," he said.

Indiscriminate secrecy led to more leaks and less respect for confidentiality than was really necessary. Mr Wilson called for a statutory right to know, and in particular the right of people to have access to their personal files, the right of communities to have access to environmental information, and the right of councillors and MPs to have adequate access to information to perform their duties.

● While Russia and the U.S. retained elderly leaders such as President Ronald Reagan and President Konstantin Chernenko there was unlikely to be a constructive initiative to improve relations between East and West, Mr Steel told the assembly.

Recalling his meetings with the leaders of the two superpowers he said he believed many people shared his wish that "the fate of mankind were in the hands of people with a rather longer-term personal interest in it."

● A cutting attack on the Government and the leaders of the National Union of Mineworkers (NUM) over the coal strike, was delivered by Mr Alan Watson, the new party president.

In his inaugural address, he accused the hard left and the Government of sharing the illusion that total victory was available to the class that was toughest.

The Government saw the miners' lives simply as a matter of production, while the "authoritarian ambition" of the left used them as cannon fodder in the class war.

Pound may force petrol prices up

By Dominic Lawson

BRITISH PETROLEUM gave a warning yesterday that another rise in the price of petrol was likely if the pound stayed at its present level against the dollar.

On Monday BP announced an effective increase in the price of petrol by withdrawing its support to its petrol retailers below a minimum pump price of 188.4p a gallon. Although the official scheduled price is 188.7p, some regions of the UK have seen prices below 180p.

The major oil companies, such as Esso, Shell, Mobil and Texaco, have followed BP's lead. Esso said yesterday that, on average, the motorist would have to pay about 2p to 3p a gallon more for petrol as a result of the move.

The main reason for the increase is the fall in the pound's value against the dollar, the currency in which oil companies buy their petrol and crude. However, Mr Ian Walker, chief executive of BP Oil, said yesterday that BP had decided to increase prices when the sterling-dollar rate was about $1.27. Since then it has weakened further to about $1.22.

Barratt profits fall by 30% to £35.6m

BY DAVID LAWSON

BARRATT Developments, Britain's biggest housebuilders, yesterday revealed the full effect of a weaker housing market and adverse publicity about the quality of its timber-frame houses, when it announced a 30 per cent fall in pre-tax profits.

The decline – from £50.3m to £35.6m in the year to June 30 – had been anticipated in the City of London and Barratt's shares rose 2p to 88p on the confirmation of its pledge to maintain its final dividend. The share price has been as high as 186p this year.

Mr Robert James, group finance director, said: "After seven years of increasing profits we are naturally disappointed, but the directors have total confidence in the medium and long-term future."

House completions in the UK had fallen in the year from 16,500 to 13,700, although Barratt had initially expected growth to about 18,000. The market has been weakened in the North – a traditionally strong area for the company – by the effect of the miners' strike on the regional economy and by higher interest rates on house purchase loans.

The company also blamed criticisms made in a television programme in June 1983 of its timber-frame houses, which amounted to 45 per cent of its total of new houses built last year. These now account for 25 per cent, and the group says that "new designs and constantly improving specifications" will ensure that it stays in the forefront of the industry.

Mr James said Barratt had no definite figure in mind for the coming year's output but it hoped at least to match this year's figures. Cost-cutting was continuing to reduce overheads in line with lower output. This had included cutting the number of UK subsidiaries from 31 to 25 by mergers.

Barratt made almost £4m of its pre-tax profits in the U.S., where it built 1,500 houses in 1982-83. It said that turnover, helped by some land sales, had almost doubled. The group considered profitability in the U.S. to be low and it forecast growth.

The City had feared that Barratt's profits might be as low as £25m and it was relieved that the final dividend was maintained at 5.31p, making a total of 7.62p.

See Lex, Page 16

Cruise policy to be decided

BY PETER RIDDELL, POLITICAL EDITOR

THE LIBERAL assembly will be asked to choose between alternative policies on cruise missiles in its defence debate tomorrow.

A draft resolution has been prepared which leaves the assembly to take a decision on the most contentious points.

In particular, a choice will be offered between the removal of U.S. cruise missiles from British soil at once, or their temporary retention in Britain under joint control as part of a general freeze on nuclear weapons, pending their removal through negotiations.

Options have also been given on whether or not Britain should continue to be a member of Nato; the removal of nuclear weapons from the UK; an immediate declaration of "no first use" of nuclear weapons; and on the immediate scrapping of Polaris or its inclusion in arms control negotiations.

The expectation is that the assembly will overwhelmingly support Britain's continued membership of Nato but that there will be much closer votes on the Polaris and cruise questions, which could highlight differences with the attitude of the Social Democrats.

The key point for the SDP is cruise. Although the party's MPs voted with the Liberals against the deployment of cruise missiles in Britain, Dr David Owen, the SDP leader, has argued against their withdrawal but in favour of a freeze on their numbers as part of broader arms negotiations.

The draft resolution stresses the need for giving Europe a more powerful voice in Nato on both policy and strategy, leading to the creation of a non-nuclear European structure under European political control.

The resolution recognises that this may involve increased expenditure on conventional defence, against which the UK can offset savings arising from the abandonment of the Trident missile programme and the Fortress Falklands policy.

Move to quit European group fails

BY OUR POLITICAL STAFF

DELEGATES at the Liberal assembly decisively rejected a demand that the party should end its membership of the Federation of European Liberals and Democrats (ELD).

They endorsed the view of Mr David Steel, the party leader, who before the debate reaffirmed his commitment to keeping British Liberals in the ELD and announced his willingness to accept office as its vice-president.

The doubts and reservations of delegates were reflected in a decision to call oo the party's executive to review its membership of the ELD with a view to the question's being finally resolved by next year's assembly.

In the debate, there were complaints that the ELD was a predominantly right-wing organisation given to advocating economic policies heavily dependent on Thatcherite-style monetarism.

Mr Colin Darracott, chairman of the London Liberal Party, who led the demands for the party's immediate withdrawal from the ELD, attacked M Willy de Clercq, the president of the 13-nation grouping, for protesting about the debate.

He said M de Clercq had suggested that many continental parties would be offended by being branded undesirable political company so soon after donating some £250,000 to the UK Liberal Party's election campaign for the European Parliament.

Mr Darracott declared, "Some of us are offended by the idea that the principles of British Liberalism should be bought and sold. We are not political prostitutes. We should not be treated as such."

Car components group cuts up to 1,000 jobs

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

AUTOMOTIVE PRODUCTS (AP), the Midlands-based vehicle components supplier, is to cut up to 1,000 of the 6,000 jobs in its automotive division by Christmas.

The move, part of a restructuring of automotive activities, is aimed at raising productivity to compete in international markets. Exports account for about 30 per cent of the £150m a year vehicle components sales.

Changes were foreshadowed earlier this month when the group announced a pre-tax profit of £3.1m for the half year to June 29. The directors said profit margins in the UK remained inadequate.

AP said that there had been a slowdown in demand because of a combination of minor factors such as disruption to Talbot sales to Iran, strikes at Austin Rover in the UK and the German metalworkers' strike.

Long-term performance in original equipment sales was satisfactory, and the depressed state of the replacement market was common to everyone, the company said. About 200 manual jobs and 800 clerical jobs will go under the reorganisation.

Automotive operations are being restructured into three divisions to specialise in the manufacture and selling of brakes, transmission systems and steering and suspension systems.

Fraud action welcomed

BY JOHN MOORE, CITY CORRESPONDENT

FRAUD IN the financial services industry "should be effectively and vigorously" countered, Mr Robin Leigh-Pemberton, Governor of the Bank of England, said yesterday.

He said at a lunch organised by the National Association of Security Dealers and Investment Managers that good regulations were part of the answer in dealing with fraud. "Equally important, however, is the process by which fraud is investigated, prosecuted and eventually tried in the courts."

He welcomed the Government's recent moves to place on a more permanent footing the arrangements for fraud investigation groups, which brought together all the skills necessary at the stage of investigation.

A Government committee had been examining how the conduct of criminal proceedings arising from fraud could be improved and to consider what changes in existing law and procedure would be desirable.

Self-regulation and statutes would be needed in the future regulation of the securities markets.

There had been much public debate about the rival merits of self-regulation as against a statutory system. "But this mis-states the choices before us: in practice neither approach will be a serious option and any future structure will have to combine the two."

Time for pound to join EMS says Dr Owen

DR DAVID OWEN, leader of the Social Democratic Party (SDP), yesterday urged Mr Nigel Lawson, Chancellor of the Exchequer, to apply for British membership of the European Monetary System (EMS) when he meets IMF finance ministers in Washington at the weekend.

He told the American Chamber of Commerce in London that this would be the most effective way to halt the present slide in sterling against the dollar.

As a first step he suggested that the UK and West Germany should co-ordinate interest rate policy and limited intervention in the market. Britain needed the backing of the West German central bank to prevent the pound falling further, he said.

British *government policy had* been that the UK would seek EMS membership when the time was right. Dr Owen maintained that the old argument that Britain could not join with an overvalued currency had been eliminated by recent events.

Sterling had declined against the dollar by 14 per cent since January and against continental European currencies by 7 per cent. The pound had thus become a lot more competitive against European currencies.

UNIT TRUSTS attracted investments of £153.6m in August, against only £18.5m the previous month, giving them the highest net inflow since March this year. Fund managers said the highest demand for units had come not from small investors but from insurance companies, which own about 30 per cent of all units.

PRODUCTION of Austin Rover's Maestro and Montego cars resumed at Cowley, near Oxford, although 22 painters, whose overtime dispute with the management halted output for more than a week, still refused to work an extra half-hour a day required by the company.

ONE OF the longest-running disputes at British Aerospace works at Filton, near Bristol, could be resolved today.

The dispute in the aircraft division – which is now nearly eight weeks old – was caused by a long-standing union claim for pay parity with other British Aerospace plants. The stoppage has involved two separate occupations of the plant and almost solid picketing

THE ARTS

Television/Christopher Dunkley

Thread of hope behind the threat

Next Sunday and Monday, when it screens two major programmes about nuclear war, the BBC will go as far as possible towards redeeming itself for its failure to show Peter Watkins' astounding anti-nuclear war film *The War Game* in 1965, and for 20 years of subsequent funk, obstinacy and condescension during which BBC officials continued to prevent the British population at large from seeing that horrifying yet necessary work.

Now, with the decision to show *Threads* on BBC2 on Sunday, a two-hour drama-documentary produced and directed by Mick Jackson and written by Barry Hines about the effects of nuclear war upon Sheffield, the wrong-headedness of that 20-year ban is finally tacitly acknowledged. For its treatment of Watkins and the stifling of his outraged cry to his fellow men the BBC can never be entirely forgiven. Their argument that the film might disturb or even harm the old, the lonely and the simple had as much validity as the idea of not shouting a warning to a child threatened by a runaway lorry for fear of startling him.

But even if Watkins (who moved in disgust to Scandinavia years ago) will continue to have a legitimate grievance, at least the BBC's licence payers will finally be able to see the most powerful mass medium of the age dealing at length with the greatest problem ever to face mankind. For the way they have finally done this the BBC deserves our admiration and gratitude even though, ironically, the new Hines/Jackson drama is, in my view, more bleak and in a way more frightening than Watkins'. Where *The War Game* is a passionate piece of polemic presented as drama, *Threads* is a chillingly dispassionate drama presented as a documentary.

It is nevertheless—and the comparison will be made repeatedly during the next week or so since the American programme which was shown in Britain by ITV only 10 months ago attracted tremendous publicity — considerably more affecting than *The Day After*. The contrast between the two is representative of the difference between American and British television.

Where The Day After was made in the style of soap opera with the charismatic figure of the surgeon, played by film star Jason Robards, serving as the central point of reference, *Threads* follows in that tradition of ultra-realism developed so strongly in BBC drama during the sixties with ordinary people, quite remote from film stars, at their centre. Established in such works as *Cathy Come Home* and *Edna The Inebriate Woman* this approach extended by Barry Hines in his own earlier work including *Kes, Looks And Smiles* and most memorably in *The Price Of Coal*.

Threads uses the technique to devastating effect. Here there are no craggily handsome stars with distinguished silver at the temples and the power to inspire confidence in the onlooker. On the contrary, there is a cast with almost completely unfamiliar faces playing the members of the unremarkable Kemp and Beckett families who are linked simply by the fact that in the opening scene Ruth Beckett becomes pregnant by Jimmy Kemp during a weekend session in the car.

During the rising international tension leading to the dropping of the bomb in *The Day After* the producers were intent upon pointing up the poignancy of the coming destruction of such human phenomena as music, religion, painting and farming. It is a worthy enough aim, and the effect certainly was to tug at the heartstrings. Hines, however, punches you in the gut: "There's nowt we can do about it, is there?" one of his characters says to another as international tension rises. "I tell you one thing: if the bomb drops I want to be pissed out me mind."

The feeling of stark authenticity which is attained by resorting to the tone of the public bar (no more valid or important, of course, than the tone of the senior common room but undeniably more widespread and more familiar to most viewers) is reinforced by the documentary style, copied from series such as *Horizon* and *World In Action*, with which Jackson and Hines pile fact on to their narrative. *Captions provide statistics* such as "Blast casualties between 2½m and 9m" and the bleak simplicity of such necessarily brief announcements adds to their ghastly impact.

It is clear that Jackson's budget fell short of the millions spent on *The Day After*. In *Threads* there is nothing quite like the American scene of Minuteman missiles rising from their silos across a baseball stadium, though that trick wasn't *especially expensive*, nor any de Mille-style tableaux involving thousands of extras or millions of dollars-worth of materiel.

Jackson proves, however, that money is not everything: the sight of panic-stricken shoppers pouring out of a supermarket with trolleys full of food they have not paid for, and the family arguing about whether to hunt for "our Spot" and delay the flight into the countryside, are scenes which gain their impact from the very fact that they are on a small domestic scale.

Human innocence may have died at Bikini Atoll as James Cameron remarked in last week's *Once Upon Time*, but the innocence of the individual child did not. In similar vein it is the very familiarity of Paul Vaughan's voice-over, known to us from years of *Horizon* and *Kaleidoscope* scripts, which brings such a *terrifying sense of the possible* to the documentary element of the programme.

The most significant difference, however, between *Threads* and previous films and programmes about nuclear war including Jackson's own *Guide To Armageddon* is that does not stop at the dropping of the bomb nor (as did *The Day After*) with the immediate aftermath. Instead it moves on another 13 years and looks towards the birth of the first post-holocaust generation: not a pretty sight.

It is this post-bomb sequence which brings home the significance of the title: watching the ludicrous and doomed attempts of Sheffield's emergency administration to operate from beneath the rubble, and the gun law which ensues one realises the weakness of the thread by which civilisation hangs and the sparseness of the threads weaving our society together.

There is a desperate irony about the two major points to emerge from Michael Andrews' documentary, *On The Eighth Day*, which is to be screened on Monday, the night after *Threads*. First, it suggests that anything we may have assumed until recently about the devastation resulting from nuclear war was almost certainly a serious underestimate because nobody had reckoned on the effects of what we are learning to call the "nuclear winter." But second, the programme shows with a recording of a Moscow/Washington debate from autumn 1983 that scientists on both sides now realise that any use of nuclear weapons — pre-emptive, retaliatory, large or small — would probably be suicidal.

In the words of Yuri Izrael, chairman of the USSR Committee for Environmental Control: "In a nuclear war there can be no victor and no vanquished. In the final analysis all sides suffer fatally. We are raising the very question of life on earth."

If scientists on both sides are really starting to believe that — and Andrews' programme with its excellently clear explanations of the apocalyptic effects of smoke and dust clouds on global climate, ranging from the likely reason for the death of the dinosaurs to the simple cumulative effect which can be projected on marine ecology, suggests that they certainly should be — then with luck they may go on to persuade politicians and military leaders to their point of view. Thus the irony is that the danger of nuclear war may actually be reduced by the realisation that the outcome will be even more utterly disastrous than had previously been imagined.

It is to the great credit of Jackson, Hines, Andrews and the BBC generally that having grasped this vast and appalling notion they have created the first drama to take it into account. Even more commendable was the decision to show *Threads* with its effect of an awful warning before the documentary which holds out some faint hope, albeit one which itself hangs by the slenderest of threads.

David Brierley as Mr Kemp at the gates of a food depot trying to get something to eat in "Threads"

Music on the march

Ten thousand youth band enthusiasts will gather at London's Wembley arena on November 17 for the Seventh Chambourcy British Youth Band Championships. Young musicians aged from 11 to 21 years from all parts of the country will take part, performing with 37 marching bands.

Philip Whitchurch and Joseph Marcell

Othello/Lyric Studio, Hammersmith

Michael Coveney

We glimpse the wedding of Othello and Desdemona through a gauze screen, a rather decorous affair before the inset grotto to Our Lady which quietly oversees the action. The ecclesiastical choral music accompanying this invented prelude is then disrupted by Nick Dunning's ludicrously impetuous Roderigo storming into view, Iago snapping vigilantly at his heels.

Othello works well as a chamber play, but it is a notoriously difficult piece for actors and directors. Since Olivier 20 years ago, apparently well-equipped Othellos like Paul Scofield and Robert Stephens have bit the dust. Joseph Marcell, a short, stocky, well-spoken black actor, misses the strangeness of the role, playing the Moor not so much as a brooding General but as a Sandhurst Silver Sword graduate of good middle-class African background. He hears bongo drums after anointing Iago in his own blood (a rather gratuitous touch, that) but is hardly the alien poetic creature Olivier created. Perhaps that is the point. At any rate, he misses the soul of the role.

It is not just to do with magnetism, though that is at a premium. The verse is a symphony of colour and variety and for all its energy and smartness of staging, Michael Boyd's production simply does not do the verse justice. On demanding his "ocular proof," Mr Marcell clamps Philip Whitchurch's spiritedly ingratiating but carelessly articulated Scouse Iago in a head-lock, throws him across the floor, and seems to acquire a fixed entie disposition rather than begin his slow and tortured decline.

The modulated pleasantness of his dealings with the Senate, his passionless dealings with Desdemona, yield only to a ranting anger. Upstairs on the main stage a few actors are ranting in an attempt to breathe life into Sartre. Here there is no excuse.

Mr Boyd and his designer, Peter Ling, set the action in a beautifully lit (by Deve Horn) quadrangle of two large rectangular mobile gauzes where doors open brusquely as Iago manipulates Roderigo, the decent Cassio of Peter Wight and, best of all, the sumptuously maternal Emilia of Maureen Beattie. Ms Beattie's playfulness with the handkerchief is an attempt to sneak some life back into her relationship with Iago, she is quickly and cruelly slapped down.

Emilia is then involved in the best "willow song" scene I have seen in ages, with Sian Thomas's sensual Desdemona singing beautifully while being relieved of her pearls, her garments, then washed gently under the armpits with a sponge. Ms Thomas is left helpless and trembling in the face of her husband's manic outbursts. She is genuinely pitiful.

With a little more attention, this production could yet grow into something really powerful (it runs until November 3, with schools matinees). It certainly looks impressive, stock Jacobean costumes transformed by the ingenious design and spatial inventiveness of Mr Boyd's staging.

Old Storey/Stratford East

Martin Hoyle

The Jamaican writer Trevor Rhone has got the mixture right. His comedy, part of the Stratford Theatre Royal's centenary season, combines the ridiculous with the concerned. The effects of deprivation, class and colour differences, western sophistication meeting Caribbean traditionalism, are deftly suggested *en passant*, never laboured and never aggressive. Above all, without being consciously political, the play is Jamaican through and through; a national product without nationalism.

Never more so than when the bank manager attempts the ritual of protective magic to ward off the malignant powers of *obeah* he believes have been directed at his wife. Self-consciously chanting mumbo-jumbo, executing little dance steps, *arranging* candles and flowers and finally placing a presumably cabbalistic pair of red knickers on his head, Larrington Walker is not just funny but sums up a culture stranded between past and present.

Rudolph Walker's grizzled narrator (shades of *Our Town*) both recounts and participates in the saga of the indefatigable Mama (Mona Hammond as another of her memorably dotty old bags), the adored son who makes good, his suspect wife—with a mysterious past—and the school bully turned crook. Superstition and swindling, magic and monetary manipulation, exorcism and economics are threads in unevenly distributed plot.

The author occasionally intersperses the buoyant comic rhythms of rural Jamaica with aridly cliched stretches in his token conventional plot—too little too late. But the good humour is contagious. His glancing references to post exploitation—not to mention the intriguing tensions between the blacks and "high browns"—are without rancour; and his generously syncretic approach—poetic, satirical, sentimental—is cheerfully ambitious.

As ever, the West Indian accents are not always intelligible, especially when drowned by a vociferously happy audience (actually, three of the cast lapsed into London intonation in the second act). Okon Jones displays immense presence as the socially acceptable fiddler; the author directs at a relaxed pace; and the large number of West Indians present hooted and shrieked their appreciation.

Autumn visitors to Canterbury

The opening of the new Marlowe Theatre, Canterbury, will provide a venue for visits in September and October by Kent Opera, Ballet Rambert and the National Theatre, all as part of the Canterbury Festival. Later in the season there will be visits to the Marlowe by the New Vic Theatre and Extemporary Dance Theatre.

The Arts Council gave £45,000 to the building programme of the Marlowe Theatre.

Edinburgh Fringe/Donmar Warehouse

Antony Thorncroft

The best of the Edinburgh fringe, or rather what the judges for the Perrier award considered to be the best, is on show in London's Covent Garden for the next four weeks. This week there are three shows nightly; at 7 pm *Still Life* by Emily Mann, a play about the effects of the Vietnam War on Middle America; at 9 pm The Brass Band, a San Francisco quintet who clown about with their instruments and who won the Perrier first prize; and at 11 pm, Fascinating Aida, the smart set's answer to Instant Sunshine.

The Brass Band were the main attraction. Their appeal is less in their gentle clowning than in their complete mastery over any instrument that demands to be blown. The act is a particular musical treat for addicts of *Friday night is music night*, favourite melodies like Ravel's "Bolero" and the "Sabre Dance" rubbing shoulders with the odd hymn (a jazzy version of "Onward Christian Soldiers") and children's hour ("The teddy bears picnic").

To make such music critically acceptable the five are dressed as Ruritarian bandsmen and indulge in some gentle knock about routines. There is a good running joke when they all join in to kick the tall one every time he falls over only to be called off by the band leader with the rising cry "Stop that; you can do that any time," but in the main familiar material—the tuba player trying to grab a *solo* under the blasts of the others; the five indulging in a trombone fight with the instruments flashing like swords—is presented with unusual charm and wide appeal.

Michael Coveney enjoyed Fascinating Aida in Edinburgh and I can only repeat his praise. They must be the only women on the sophisticated cabaret circuit who send up themselves rather than men. Directed by Dillie Keane at the piano, who immediately has problems with her drooping breasts, Malcolm and Gordon, the three girls, face up to such modern problems as falling in love with the Pope, acquiring street credibility when you are a Sloane Ranger, and the auditioning pitfalls for actresses now that every production is about India. Fascinating Aida are delightful: more power to their paranoias.

Brahms Love Songs/Sadler's Wells

Clement Crisp

On Monday night Northern Ballet Theatre's ballerina, Sui Kan Chiang, celebrated her tenth anniversary with the company. A product of the Central Ballet in Beijing, a victim — with so many other artists — of the field labour imposed during the time of the "cultural revolution," Miss Chiang's decade with NBT has been marked by the gentle radiance of her performance style and by the generous clarity of her temperament. She has enhanced every role I have seen her dance, and each has seemed warmed and refined by her integrity. She is an artist — as NBT affectionately shows — to be treasured.

Her range is rather more considerable, I think, than the three works in this week's triple bill suggest. André Prokovsky's *Brahms Love Songs*, which began the programme, uses vocal quartets as the basis for one of those "lyrical" ballets, all yearning and chiffon dresses, which seem obligatory for every company. Mr Prokovsky's ten songs for seven couples are a fair example of the breed, decently enough made, with Sui Kan Chiang and Olivier Munoz as the leading figures, best displayed in their first duet which seemed like a gloss on the *Romeo and Juliet* balcony scene.

Coincidentally these same artists were the eponymous lovers of the most successful work of the evening, Robert de Warren's *Romeo and Juliet: Tragic Memories*, a skilful condensation of the tragedy set to two movements from Chaikovsky's third string quartet. With a clever set by Micheel Holt, a clear emotional thread to the story-telling, and Miss Chiang at her most eloquent as Juliet — pure in line; beautifully true in feeling — this is a ballet welcome not only as a show-case for her gifts but as an ingeniously contrived spectacle which does not overstretch NBT's forces.

About the central item in the programme, an interminable Chinese dance drama entitled *Fu*, I can but record that its programme note is a very moral text about the dangers to seekers after Power and Success, because "remorse will gnaw at their Conscience." The choreographer, Miss Chiang Ching, need have no worries on this account, for the piece looked to me wholly incomprehensible, and beyond offering some fine and exotic costuming, seemed entirely unsuccessful as dance or drama.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Sept 14–20

Theatre

NEW YORK

Sunday in the Park with George (Booth): Not your conventional musical. Stephen Sondheim's latest is an inspired pairing with director and playwright James Lapine to bring George Seurat's painting to life, with Mandy Patinkin as the painter and Bernadette Peters as his imagined girlfriend, Dot. (239 6262).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200).

Nine (46th St): Two dozen women surround Sergio Franchi in this Tony-award winning musical version of the Fellini film 8½, which like the original celebrates creativity, here as a series of Tommy Tune's exciting scenes. (246 0246).

On Your Toes (Virginia): Galina Panova with presumably a genuine Russian accent leads an exuberant cast in the remake of Rogers and Hart's 1936 sendup of Russian ballet tours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (977 9370).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organization has generously decided to name the theatre after the generation's *outstanding box office draw*. (757 8646).

Balm in Gilead (Minetta Lane): John Malkovich's energetic but nostalgic revival of an early Lanford Wilson play brings back the wide-eyed, drugged out 1960s and 70s to the accompaniment of Bruce Springsteen songs. (420 8000).

WASHINGTON

Master Class (Eisenhower): David Pownall's thoughts on tyranny and artistic freedom as filtered through the gauze of Stalinist Russia starts its American run at the Kennedy Center. Ends Oct 20. (254 3670).

Woza Albert! (Kreeger): The jumbo jet arrival of the Lord into Johannesburg is the implausible context in which two remarkable actors, Percy Mtwa and Mbongeni Ngema, reveal what looks like the whole gamut of the sad, funny and pathetic life of South African blacks. Ends Oct 7. Arena Stage (488 3300).

TOKYO

Cats (Cats Theatre): The special tent *theatre, excellent set, good dancing* and Kabuki-derived movement make the Japanese version worth seeing. Shiki Company, directed by Keita Asari. (320 1001).

Kabuki (Kabuki-za) *September Grand* performances consist of a miscellany of 19th and 20th-century plays, highlighted by an ensemble of Kabuki's most famous actors. Matinee includes one act of Yoshitsume Koshigoe-jo and two of Ise-ondo Koi-no Netaba. Evening: Scenes from Shogun Edo-o Saru, and Asagao Nikki. (541 3131).

LONDON

Little Shop of Horrors (Comedy): *Campy off-Broadway import which* is less good than The Rocky Horror Picture Show but which has a curious charm and an exotically expanding man-eating prickly plant. (930 2578).

Pack of Lies (Lyric): A decent, enthralling play about the breaking of a spy ring in the suburban Ruislip of 1959-60. Hugh Whitemore's script cleverly constructs a drama about betrayal from the friendship of neighbours. The story is based on fact and well directed by Clifford *Williams*. (437 3686).

The Real Thing (Strand): Jenny Quayle and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143).

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a cliff-top rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood. (437 1592).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rustling around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. *No child is known to have asked for* his money back. (834 6184).

West Side Story (Her Majesty's): Classic musical returns to its original London home with s fresh young cast of good singers and dancers. The thrills and spills of Bernstein's score and the Robbins choreography remain breathtakingly intact. (930 6606).

Wild Honey (Lyttelton): Michael Frayn has reworked Chekhov's first play, usually known as Platonov, into an engagingly hilarious farce. *This superb dramaturgical feat* has Ian McKellen giving a brilliant performance at its centre and a shimmering design by John Gunter. The superb direction is by Christopher Morahan. (928 2252).

On Your Toes (Palace): Rodgers and *Hart's 1936 musical is a genuine* tonic with Makarova lifting her heels behind her ears and finding a brilliant opposite number in Tim Flavin. American jazz dance collides with the *Ballets Russes*. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

Aren't We All? (Haymarket): *Rex Harrison* and Claudette Colbert in a meagre rarity by Frederick Lonsdale. Miss Colbert defies the march of time and still wears her hair the same way, with bangs. (930 9832).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

American Buffalo (Duke of York's): Al Pacino on a flying visit in the David Mamet play in which he plays a hoodlum habitué of a junk shop and gives an extraordinary exhibition of sustained manneristic acting (836 5122).

A Little Hotel on the Side (Olivier): New in the National's repertoire is John Mortimer's felicitous translation of Feydeau's farce better known as Hotel Paradiso. Benjamin Whitrow is a deliriously funny stutterer, Graeme Garden an adroit farceur. Confident, robust production by Jonathan Lynn with good designs by Saul Radomsky (928 2252).

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A role for the World Bank

THE official, as opposed to spontaneous, themes of the forthcoming IMF-World Bank annual meeting in Washington cannot fail to include discussion of the plainer of the two sisters who are hosting the ball. The World Bank's wealthy father, the U.S., has all but cut her off. Her wealthy uncles, the rest of the Group of Five, cannot agree whether to help her out in her penury. She finds herself dancing with increasing frequency on her sister's toes, and vice versa. Will she, can she, rediscover a clearly defined role in life?

There are two reasons why this discussion should come to a head at this particular meeting, one of which relates to the Great Debt Problem and one of which does not. The non-debt reason is a report on the plight of sub-Saharan Africa which will be presented to the Joint Development Committee of Fund and Bank. The World Bank has suggested that it respond to this plight with a new Fund for Africa. This fund would supplement the activities of the International Development Agency, the arm of the Bank which extends aid to the Bank's poorer members. It is the IDA whose activities have been most severely curtailed by the Reagan Administration, on the grounds that it is too soft a touch for too wide a range of borrowers. The World Bank hopes that by constructing a fund for countries whose economic situation is unambiguously desperate, it may yet wring additional aid out of its richest sponsors.

The debt-related motive for discussing the Bank is that the moment should, in theory, be coming for it to make contribution to solving the debt problem. Major debtors—Mexico and Brazil for instance—are moving beyond the phase where they should rely only on policies prescribed by the IMF to staunch a haemorrhage of foreign exchange. They now require longer-term support and guidance to return them to "bankability" and to get them to that point, so dear to the Reagan administration, when commercial funds flow spontaneously towards them in the form of bond finance and direct investment.

In both these areas — in the Bank's traditional stamping ground of development aid, and in this departure into the realm of balance-of-payments finance traditionally dominated by the IMF — the key reason for increasing the Bank's presence lies in conditionality. Famine relief aside, sub-Saharan Africa needs guidance much more than it needs money. The required guidance is not only macro-economic — fiscal deficits, exchange rate policy and so forth—but also micro-economic—chiefly on the role of the price mechanism and of appropriate infrastructure investment in allowing sustainable economic growth to develop. It is in this area that the Bank has developed its expertise.

The same applies to some of the major debtors, though they are far further down the road to becoming developed economies. A series of short-term IMF programmes, progressively watered down to conform to deteriorating reality, does not get to the bottom of the economic problem of the Philippines.

Difference

In trying to do the right thing, the president, Tom Clausen, has not been able to emulate his predecessor Robert Mcnamara in running the bank over the heads of the executive directors from shareholder countries, nor has he had the consummate touch of Jacques de Larosière in managing the IMF by carrying these directors with him. Indeed, this difference between the two institutions is reciprocated: most countries assign more of a heavyweight official to the IMF than they do to the rubber-stamping directorate of the Bank.

If the Bank is going to regain the support of its prime sponsor, if it is going to work together with the IMF in a logical partnership (rather than publish an annual report that appears to criticise IMF policies), if it is going to have the financial endowment it needs to impose its economic guidance, this difference between the two institutions needs to be corrected. This means a different style of management by the Bank's president, responding to a higher-grade directorate. Indeed, one of the simplest ways to produce parity co-operation and consistency between IMF and Bank would be for countries to appoint the same people as directors of the two bodies.

How to control state industries

THE STATUTORY framework under which Britain's nationalised industries operate is out of date. The old Morrisonian concept of an arm's length relationship between state corporations and government has been overtaken by an elaborate network of controls of which profitability targets and external financing limits are the most important. Yet the Treasury, which has increasingly taken over from the sponsoring departments as the main controlling agency, has found that the lack of clear statutory powers to impose financial disciplines on the nationalised industries creates legal and operational problems which need to be sorted out. Hence the Government is considering legislation which would supplement existing statutes with arrangements more in line with current realities.

In principle, the case for modernising a 40-year-old statutory framework is strong. The question is whether the new system will come any closer to resolving the dilemma which has bedevilled successive governments—how to reconcile, as the 1978 White Paper put it, "the boards' need for sufficient freedom to manage the industries with the Government's legitimate interest in them."

At present each state corporation has its own statute reflecting the particular circumstances in which it was taken into public ownership; in several cases the basis remains the legislation of 1946-49. The fear among some nationalised industry chairmen is that, if there is to be a more uniform approach to all the state corporations, they will find themselves subject to much broader and less clearly defined ministerial control.

Disparities

What the Government has in mind is an omnibus bill, similar to Acts which were passed in 1974 and 1975, which will set out standard terms on such matters as borrowing powers, accounting principles and board appointments. These new provisions would be incorporated in those individual industry statutes which need to be brought up to date. The suggestion in Whitehall is that the Bill would not be breaking new ground, but would have the effect of bringing the most obsolete statutes up to the standard of the best and of imposing a useful degree of uniformity without ignoring the special characteristics of each industry.

As things now stand, there are quite unnecessary disparities in the way different nationalised industries manage their finances and present their accounts. Greater consistency would be useful, not only for control purposes, but also to enable the taxpayer to judge more accurately how well or badly the corporations were being managed. A new Bill for the public corporations might also provide the opportunity for restructuring the balance sheets of those enterprises whose capital structure is completely out of line with today's needs.

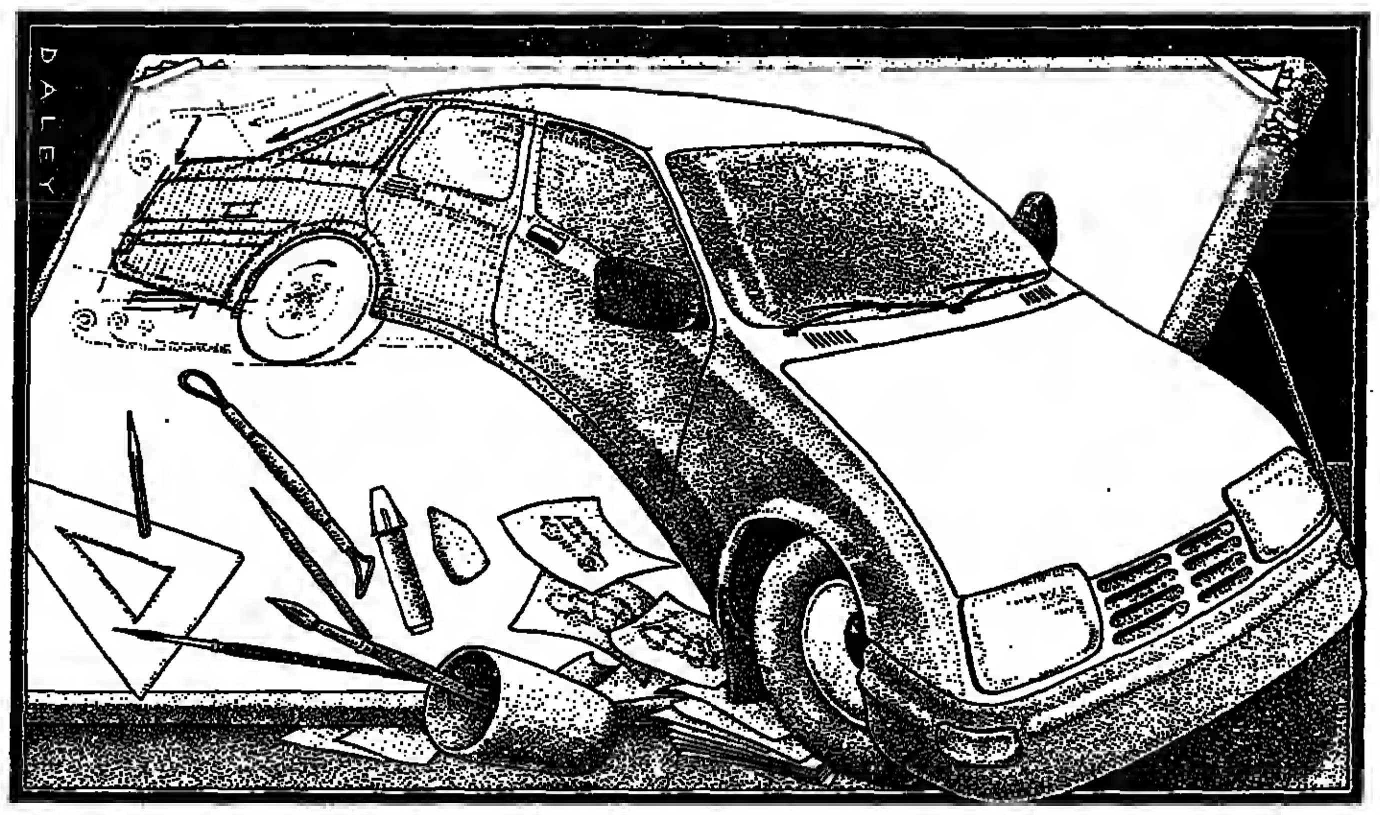
Another fear provoked by the Government's proposals is that Ministers will be able to dismiss chairmen and board members more easily than under the present system—although in some existing statutes the Government already has the flexibility which it needs. It is of course important that there should be an improved level of security of tenure than in the private sector. As the Centre for Policy Studies argued in a recent report, all board members should be given proper contracts of employment which set out their terms of reference and any specific tasks such as privatisation; terms of dismissal should be fully spelt out so that both parties are clear about their rights. It is entirely reasonable that if the Government decides on a new policy for a particular corporation, it should appoint a chairman who is sympathetic to its objectives and will not seek to obstruct them.

What is not reasonable is for the Government to keep on changing its policies in response to short-term political or economic considerations—demanding lower prices for anti-inflation reasons or higher prices for revenue-raising purposes. The lack of a clear strategy consistently adhered to has been one of the biggest deterrents to the recruitment of top-calibre management in the nationalised industries. Any new legislative framework must not be so tilted towards ministerial control as to undermine the board's ability to run the business.

NEW PRODUCT DEVELOPMENT

A vicious race to get ahead

By Christopher Lorenz, Management Editor



AS PART of its desperate fightback against the Japanese, Philips is now tooling up for trial production of a major new range of hi-fi products which will appear in the shops next summer.

When the still-secret products are launched in May, it will be barely 21 months since they were little more than sketches on a piece of paper. Development of their predecessors took a good seven months longer, allowing Philips' speedier Japanese competitors a precious headstart in grabbing sales and profits, and in dictating prices. On less complex products the company's audio division has cut the development cycle even more sharply, from 18 months to only ten.

Faster product development is one of the main weapons now being wielded by Philips across a broad range of its markets. It is the same story all over Europe and North America, in industries as diverse as computers and cars, packaged good and process machinery.

Whether the feared competitors be Japanese, American or (in a few cases) European, and whether the goal is to be first-to-market or to be a "quick second," the race is suddenly on to cut development times and streamline the process of innovation. The contest is just as important to industry as the much more publicised push towards factory automation.

At stake for every corporate competitor in the race is the chance to grab a share of a new product market before it becomes congested and cut-throat—a process which is taking less and less time these days, as new products (and copies of those new products) flood onto the market.

The roll of western companies which have achieved this tricky task, or are trying to do so, it growing almost by the month. It already includes:

- IBM, which with its first foray into personal computers beat the "PC" industry's 24-month development norm by almost 10 months, and its own previous timescale on bigger machines by almost three years. Apple and IBM's other competitors are now working flat out to beat this 14-month timescale.
- General Motors, Ford, Volkswagen and the West's other mass manufacturers of cars, which are belatedly starting to chase the new Japanese average of about three years. Most of them have a long way to go: they currently take between four and a leisurely seven years.
- Procter and Gamble, which has more than halved the development cycle of some of its packaged products (see panel).
- Process machinery makers such as Britain's Baker Perkins, which has cut its design-to-production timescales by a good third in the last few years. "Even in capital equipment, the rate of change in the marketplece is increasing," says Dr Charles McCaskie, the company's Technical Director. "The sooner you get a product into the marketplace, the better will be the return."

Underlying the race for double-quick development, in both consumer and capital goods, is a broad but interreleted set of technological, economic and managerial trends.

On the technological front, electronics, whose rapid rate of change creates short product life cycles, is permeating a growing number of mechanical engineering industries where product generations used to last a decade or more. The diffusion of new technology around the world is also accelerating, making it difficult for a manufacturer in the U.S., Europe or Japan to sustain a technological advantage for long.

At the same time, the cost and difficulty of making technological breakthroughs is pushing companies towards many slight product improvements, which are cheaper, easier and quicker to make (but which are also easier to copy). Finally, the arrival of computer-aided design and manufacture (CAD-CAM for short), and other technical aids, has stimulated many managements to start—often for the first time—seeking additional ways of streamlining the development process.

On the economic side, slow world growth has stimulated a hectic bustle for markets, with companies diversifying both geographically and into new products in order to sustain their expansion. "More and more attention is being paid to trying to steal market share from the other guy, because that's the only way you're going to achieve growth," argues Marc Particelli, a vice-president of Booz Allen and Hamilton, the management and technology consultancy.

Hence the trend towards the "globalisation" of products and markets which is being pushed hard by multinationals all over the globe—though at the risk of consumer resistance (see "Why New Products are Going Global," this page, July 16).

Hence also the intense pressure on companies' costs, which in some cases is acting as a direct spur to streamlining the development process, on the grounds that less time means less cost; this can be a dangerous line to take, since a crash development programme can be more expensive than a steadier process.

Overlaying all these trends, and binding them together, is the managerial tactic of consciously shortening the market life of products, through rapid new introductions, as a strategic weapon against slower-moving competitors. Pioneered by the Japanese, this viciously effective approach is now being emulated by a growing number of western companies.

As a result, every competitor is having to scramble to produce a greater and faster flow of new products than in the past. This does not necessarily mean having to accelerate product development. An alternative response may be to develop more products in parallel, ready to launch them at the most opportune time—IBM has often been accused by its competitors of doing just that. But the rapid pace of technological change, risk of getting left behind and the cost and complexity of managing parallel projects, means that companies often have no alternative but to speed up development.

The most illuminating recent research into how companies are achieving a rapid speed-up has been carried out independently at the Harvard Business School and by McKinsey, the international management consultancy. None of the work has yet been published, but it is understood that it all points to a number of common approaches which apply in both "hero projects" (one-off programmes, like IBM's PC, which are deemed particularly crucial to a company's success or failure), and in more normal projects.

The steps not only include the now conventional ones of: appointing "product champions," both at the top of the organisation and lower down; establishing hand-picked and relatively independent inter-departmental project teams; and, in fabrication and assembly, using CAD/CAM.

The research also points to several more unusual tactics, including—as at P and G—the introduction of new techniques in order to streamline the processes of technical and market testing, and to improve their reliability.

Most radical of all is a shift away from the standard western "safety first" method, practised even by most project teams, of managing product development as a series of sequential phases.

Instead, some manufacturers are adopting the common Japanese approach of running the phases more in parallel, and in particular starting much earlier with the design of production plant and the build-up of manufacture. This obviously requires close collaboration between all functions right through the development process.

One of the most revealing Harvard studies, by Professor Earl Sasser and Dr Neil Wasserman, examined product development in comparable Japanese and U.S. high-tech companies. It found that the Japanese used a longer initial design phase, the second half of which was run in parallel with much of the "advanced development phase." As a result few design decisions had to be re-worked, and the manufacturing build-up phase could be drastically shortened. The net effect was that the entire Japanese design-to-production cycle lasted only 20 months, against the American 30.

As a back-up, or an alternative, to such formal changes, several companies are attempting to break down organisational barriers by adopting widespread job rotation between different functions. "This is a much more powerful way to achieve integration than organisational change," argues Don Reinertsen, a specialist on the electronics industry who works in McKinsey's Los Angeles office.

For some electronics companies, "the economics of the new product introduction cycle are quite staggering," warns Harvard's Earl Sasser. He reports that one organisation has calculated that slipping 12 months in development can reduce by 50 per cent the revenue generated by a product over its entire life.

In a growing number of other industries, this leverage factor is only slightly less vicious. Every company which is being dragged into the nerve-wracking race for faster product development is coming to realise that the prize for winning is health and untold riches, but that the penalty for losing is injury and possible penury.

PROCTER & GAMBLE: MOVING TWICE AS FAST

NOWHERE is the need to speed up product development a more evident priority than at Procter & Gamble, America's leading packaged goods manufacturer. A leader in the trend towards the globalisation of products, which is one of the main spurs to acceleration, P & G has also been stung by its loss of market share in disposable nappies and a couple of other product areas, to more nimhle-footed competitors such as Kimberly-Clark.

"Accelerated prodnct development does save costs, hnt the key motivation is strengtheuing ability to respond to market and environmental changes," says Geoffrey Place, vice-president of research and development of the Cincinnati-based giant.

Gary Booth, research and development manager at one of the company's nearby technical centres, stresses that "We're acutely aware of the need to shorten the development cycle on both of its dimensions—market research and technological knowledge."

P & G used to take up to two years to market test each of its new products, usually on 2m consumers (1 per cent of the U.S. population) and in several major regions. But in many cases it now uses improved methods to simulate such tests in small samples, sometimes of only 2,000 people, so that it can confine marketplace testing to a couple of cities.

Several recently-launched products have been tested for barely a year. These include "Ivory" shampoo and Citrus Hill orange juice.

On the technical side P & G's tactics include starting work on new production plant—including the ordering of equipment—in parallel with market testing of the product, rather than waiting until it is virtually completed and then taking another four or five years.

In the case of Citrus Hill, launched early last year, this more than halved the development-to-production cycle to less than four years. "The world no longer sits around waiting for you to up-scale production," Mr Booth says wryly.

On a wide range of products, P & G is also introducing more rapid environmental safety tests, which it is confident are also much more accurate. Its Ivorydale detergent factory, for example, now houses a small-scale river, complete with an entire ecological chain of plants and bugs, plus a water treatment installation. "Bringing the real world into the lab" in his way, as an executive puts it, has cut the time needed for some tests from 18 months to just six.

Men and Matters

New name but same index

Having brought readers the news that the Treasury mandarins want to shift attention away from sterling's value egainst the dollar, end towards aterling's overall worth against the major currencies, here is a red-hot new development.

If the Treasury has its way the good old sterling trade-weighted index will shortly be re-named.

A Whitehall wag suggested Harry would be the most popular name. Ignoring such levity the pundits have decided it should be called the Sterling Index.

The idea is that the sterling index will be sufficiently aimple for even the most innumerate TV newsreader, who has trouble getting his tongue round "sterling's trade - weighted index against a basket of currencies."

When the Treasury men appealed to the ITN and BBC to stop qnoting nnly the dollar rate, they were told by tha men before the cameras thst "sterling's trade - weighted index" was far too much of a mouthful for presenters, and, anyway, would just confuse the viewers.

The Treasury's considered response has been to conjure up a new name for the same index. Oh, the power of television.

Family life

Many Japanese executives are obliged, as a rung on the career ledder, to accept a posting of a few years duration to a company office in a different Japanese city, or sometimes, overseas. Sucb postings often mean separation from wife and children either through company policy or personal choice.

A Tokyo security house Sanyo Shoken, recently surveyed 43 of its own employees nndergoing a spell of second batcherlorbood, asking them to list the best and worst features of separation.

"Most trying": washing, sweeping and cooking, nobody wakes me up in the morning; ironing; taking the garbage out; wben I fall ill; going back to a dark apartment with nobody waiting for me; dining alone at night; the expense of eating out with people; absence of people to talk to; lack of free time; higher bousebold expenses.

As for the advantages, Sanyo found the most common answer was, "None, absolutely none."

Other replies though included, not having to worry about staying out late at nigbt, and getting no complaints on arrival hack home; plenty of time to one's self; an improved ettitude on the part of the separated wife and children; broadened horizons, and from one employee, "since I have been away from my wife, I have come to find more heauty in women."

The basic message from the Sanyo survey was, bowever, that most men, given a second taste of hatchelor freedom preferred on balance the bosom of the family.

"It's got Liberal lettered at one end avd SDP at the nther"

Comfortably off

Congratulations to Gordon Peter Getty. Onee again, in 1984, he is the richest man in America according to a survey by Forbes, the business magazine, of the nation's 400 wealthiest people.

Getty's fortune amounts to $4.1bn — nearly twice that of his nearest challenger.

The son of the late J. Paul Getty, he is 50 years old, lives in California, and is a composer, pianist, and patron of the arts. He also must be a bit of a businessman sway from the keyboard, for last year he managed to double his net worth from $2hn after selling his family's interest in Getty Oil to Texaco.

Sam Moore Walton who lives in Arkansas—"modestly" aays Forbes—?and likes to hunt quail is the second richest man in America worth $2.3hn. He made his pile out of discount stores.

Standards of wealth are rising in the U.S. It took a fortune of $150m minimum to make Forbes' list of the top 400 fat cats thia year, compored with an entry fee of only $125m last year.

The total net worth of the top 400 is $125hn, which is almost equal to the total assets of Citicorp, America's largest bank and holding company.

The average age of the 400 is 62 years—ranging from e 27-yaar-old (Ahhy Rockefeller Simpson) to a 95-year-old (Helen Clay Frick).

The U.S. now boasts a round dozen hillionaires. As well as Getty and Walton there are David Packard, Daniel Keith Ludwig, Henry Ross Perot, Nelson Bunker Hunt, Margaret Hunt Hill, Caroline Hunt Schoellkopf, An Wang, David Rockefeller, Philip Anschutz, and Marvin Davis.

Pilot's seat

One of the more ardent anglophiles in the American banking community in London, John D. Philipsborn, aged 65, has been elected for a two-year stint as president of the American Chamber of Commerce in the UK. His first task yesterday was to presiden over a lunch for 800.

Philipsborn has lived in England for 11 years, sent his son to Marlhorough, and is governor of the American Club in London.

Although he has reached official retiring age I gather tbet his career in active hanking—as well as in international commercial relations—may be extended indefinitely. As Director—International Relations Eurone, at The Chase Manbattan Bank, London, his special responsihility ia assessing "country risk ratings" of European nations.

It is a job which calla for special skills and experience rather outside the normal banking career training.

Even so Philipshorn might modestly claim his current banking role is not quite the most interesting joh he hss ever done. During his service with the U.S. Air Force he was personal pilot to General (later President) Eisenhower, the supreme Allied commander in Europe.

Slow twist

U.S. court report: "The accused specialised in hlsckmailing married clergymen whom sbe persuaded to succumb to her cberms. She was a fast worker: in six months she had hlackmailed 12 such victims."

Two revs a month isn't very fast.

Observer

THE PHILIPPINES ECONOMY

Why confidence drained away

By Chris Sherwell, South-East Asia Correspondent

IN AN ugly corner of Makati, Manila's financial district, a row of stalls sells the latest electronic gear from abroad. Nearby, among the skyscrapers, an upmarket department store offers designer fashions, and a delicatessen sells snails, truffles and fine wines.

Western bankers awaiting repayment on a large number of loans point to this imported merchandise in disgust. Local businessmen whose operations are suffocating for lack of foreign exchange are furious.

All agree that the shops survive because of smuggling, privileged access to dollars or good political connections. In doing so, they say, they symbolise what is wrong in the Philippines.

The Philippines has the only severely contracting economy in the region, escalating unemployment, 50 per cent inflation, the second largest foreign debt in the continent (US$ 25.6bn), and is the only Asian country seeking a rescheduling. But this is only part of the story.

The government says the Philippines was hit badly by the oil shocks and recessions of the 1970s. Like other developing

The only severely contracting economy in the region

countries heavily dependent on trade, it decided to finance increasing current account deficits in order to maintain growth, and it did this principally through foreign borrowing.

When the Philippines, like Latin American countries, faced difficulty because of the prolonged Western recession of 1980-82 and sharply higher borrowing costs, it followed an IMF/World Bank road to rehabilitation. But a drought in 1982-83 was a severe setback, and the assassination in August 1983 of opposition leader Benigno Aquino brought a disastrous outflow of capital.

This account withstands only cursory scrutiny. Since President Ferdinand Marcos came to power in 1965, the Philippines has moved from being one of the fastest growing economies in the region to one of the slowest, averaging just 3.4 per cent in tha 1970s. Under Mr Marcos the country relied too much and for too long on foreign commercial borrowing and did too little to generate domestic savings or contain government deficits.

The patern was begun in the second half of the 1960s and intensified thereafter. Government spending on infrastructural and capital-intensive projects surged from the start, while productivity growth remained easily the slowest in the region and the savings-investment gap widened.

The resulting resort to foreign borrowing makes the banks look as carefree as Mr Marcos. External debt duobled between 1966 and 1970, trebled 1970 and 1975 and quadrupled between 1975 and 1970. During this time the so-called "cronies" emerged — family members, friends and business associates of Mr Marcos—as favours were dispensed and the government guaranteed foreign loans even to private groups.

According to a recent study by the economics department of tha University of the Philippines, individuals and groups simply used tha government to promote private interests, and this led to an unprecedented and costly expansion of the state's role in en economy supposedly based on free enterprise.

The study says few of the investments the government becama involved in were truly productive, and many offered an opportunity for financial and political gains. Foreign loans may well have been made on a sound baiss, it suggests, but most were made because of government guarantees. More importantly, they freed domestic resources for more dubious purposes—supplying the military, bailing out favoured corporations and building "palaces."

"Tha main characteristic distinguishing the Marcos years from other periods in our economic history," says the study, "has been the trend towards the concentration of power in the hands of the government, and the use of governmental functions to dispense economic privileges to some small factions in the private sector."

It thus seems to have been more than mere events which conspired to bring the Philippines close to economic collapse. By the 1980s, the government was resorting increasingly to short-term commercial borrowings to meet its rising interest payments. It boosted rather than cut its deficits, even as the recession deepened and previously attractive real interest rates reversed and turned skyward.

An IMF-World Bank programme under which the government was to bring its deficits under control and reduce protectionist barriers, made some headway, but it had stalled by mid-1983. The independent (and often critical) Centre for Research and Communications in Manila says things were still broadly on course at this point: Mr Marcos had allowed some business associates to fall from favour and the IMF medicine was being taken, rekindling investor confidence abroad. But then came the assassination of Mr Aquino.

The view from afar is otherwise. The killing was damaging, but the IMF, through its now-departed representative in the Philippines, had failed to monitor economic developments closely enough. The government was not only drifting from its targets. It was artificially massaging its official reserves figures, a deception which, when discovered, blew away most of the trust among both official and commercial creditors.

Since then, matters have hardly improved. In the course of anguished negotiations over the past year between the IMF and the Manila government on a SDR 615m stand-by credit, domestic credit has expanded beyond new nominal targets to prevent troubled banks collapsing and to fund the ruling party's May parliamentary election campaign. President Marcos also postponed other actions—like the third devaluation of the peso since June 1983—so that, when tough measures did come to be taken after the election, they seemed too little, too late.

Senior Filipino businessman, and Western bankers and diplomats, believe only the IMF and the U.S. government have the clout to push Mr Marcos as far as is now needed. One hopeful sign is that an IMF agreement now really seems to be imminent, but all agree that a dilution of Mr Marcos' vast decree-making powers is essential, a matter appearing more prominently on the political agenda.

Earlier this month, even Mr Cesar Virata, the Prime Minister and the man foreign bankers once depended on to see things through, finally came close to admitting publicly that he was being prevented from doing his job, and complained about corruption and inefficiency in government. His resignation, though still highly unlikely, would be a political sensation.

Confidence in Mr Marcos has probably never been lower: not only from the splintered, ineffective opposition, but even from his own party; not only from the corporate sector but also from labour; not only from the Communist-based guerrilla insurgents, but from his closest foreign ally, the U.S.

The first real sign that confidence is returning, moreover, will not come when an IMF deal is agreed, but when Filipinos themselves—workers and barons—repatriate their dollars held abroad.

The University of the Philippines study is categorical: nothing less than "a change in the system of government, towards less centralised political and economic decision-making and greater public accountability," is necessary if the problems are to be overcome.

President Ferdinand Marcos: confidence in him has probably never been lower.

EEC farm policy

The 'reforms' that change nothing

By Stefan Tangermann

THE EUROPEAN Community is proud of its farm policy reform decided earlier this year. Among its more visible elements were the introduction of milk quotas, changes in the system of monetary compensatory amounts (MCAs) and the lifting of the budget ceiling for the Community. However, this reform is a far cry from solving the real problems of Europe's farm policy. Milk quotas require another reform to become successful, the MCA changes were no reform at all, and lifting the budget ceiling was as anti-reform as one can possibly be.

Milk quotas have been adopted as an emergency device, to be phased out after five years. The idea sounds attractive. For years Europe's milk production has gone up like a rocket, and nobody could find the brake. Now the rocket has been brought down to earth and taken to the repair station. Five years from now it can start again, and it will then be easy to control its smooth flight. However, an economy does not work like a machine (something the European Commission appears to overlook occasionally).

There is only one feasible strategy which might abolish the newly created system of milk quotas in the foreseeable future. Milk prices have to come down so that actual milk production drops "voluntarily" below the level at which quotas have now been fixed. Given that the aggregate volume of quotas has been set some 8 per cent below what 1984 milk production in the Community might otherwise have been, milk support prices would have to be reduced by 15 to 20 per cent. Over a period of five years this is not impossible. Farmers have now started to perceive all the disadvantages of milk quotas and may well be prepared to trade lower prices for the freedom to make their own production decisions.

Unfortunately, however, quotas have been introduced to avoid, rather than to implement, price cuts.

The growing budget may provide for price increases. Hence there is little hope that the possible will become real. In 1988 the European Commission will issue a report which says that quotas have worked satisfactorily and that they should not be abolished (as they did recently in their sugar report). From then on milk quotas will be a permanent feature of the CAP.

The changes which have been made in the MCA system are pure bluff, rather than a reform. It is an open question whether Europe's farm ministers meant to bluff the general public or whether they have been bluffed themselves. One element in the decision was to convert existing positive German MCAs into negative MCAs for other member states. This was equivalent to increasing support prices in ECUs. Hence there was not really a price cut as people were told.

The second element was the effective creation of a new green ECU which in practice is pegged against the Deutschmark. This will avoid the emergence of new German MCAs but, instead, lead to negative MCAs in other member countries whenever the

The growing budget may provide for price increases

D-mark is revalued. Even at best, this will not change anything as price gaps among member countries will develop as in the past.

A third element was a further reduction for existing positive German MCAs. However, Germany was given authority to compensate her farmers by national aids. The intended effects of this MCA reduction were thereby nullified. A final irony occurred when Germany's Chancellor obtained permission to give even higher aids to German farmers in exchange for his acceptance of an expanded Brussels budget during the Fontainebleau summit.

It would have been easier to believe in Europe's commitment to CAP reform if the budget ceiling for the Community had not been raised. The only factor which in the past has induced farm policy makers to consider reform was the budget problem. When the Brussels budget looked like running out soon (as in 1979-80) there was a lively debate about reform, but when the budget was less tight (in 1982) CAP reform was a non-issue. Expanded budget availability in 1986 will take the CAP back on its old track. Milk prices will be lifted so that the quota system becomes perpetuated, and the inflationary tendency in the new green ECU can fully materialise. The budget expansion dashes hopes that the 1984 CAP reform decisions could one day develop into a real reform.

What will come next in the CAP? Apart from minor decisions, the real trouble-maker in the near future may be the grain sector. For years grain production in the Community has grown much faster than consumption. The Community has become a major net exporter of grain. This causes problems both with the U.S., which sees its share of the world market shrinking, and with the Community's budget, which has to finance the disposal of an ever-increasing grain surplus. How is the CAP likely to react? One should not be surprised if things developed similarly to what happened in the milk sector.

In the debate which finally led to the adoption of milk quotas the concept of the guarantee threshold played a decisive role. Guarantee thresholds were thought to give guidance to price decisions in Brussels. If production exceeds the threshold, next year's price is supposed to be raised less than normal. In the dairy sector the guarantee threshold had been exceeded so much that the Commission suggested only a drastic price cut could restore order. As it was generally felt that this was politically unacceptable, what seemed the only alternative — the quota system—was chosen.

In the grain sector the guarantee threshold is so high that so far it has not been felt very much. However, the bumper grain crop of 1984 will exceed the threshold considerably, as will future crops to an increasing extent. Will the Community then stick to a price solution, or will it, as in the dairy sector, resort to quantity controls? We may need the answer to this question very soon.

The author is Professor of Agricultural Economics at the University of Gottingen, West Germany.

Letters to the Editor

Bankruptcy and the banks

From Mr Martin Hodson

Sir,—The dignified scrambla for the remains of Acrow highlights an issue touched upon in the Cork report: do the banks have a dnty to the financial community which reaches beyond their duty to their own depositors?

Reports suggest that the Receivers will realise enough to pay off the group's £41m bank borrowings but that other creditors can expect a neglible dividend and shareholders will get nothing.

Yet the salvaga market sees plenty of vitality in the organs of the group. Perhaps too pessimistic a view was taken in the prognosis for this patient and perhaps this has happened repeatedly in the past.

Could not the present Cork proposals on insolvency be modified so that a creditor, a shareholder or a class of one, other or both were empowered to apply to the court for an order that the banks' position be converted to equity on fair and reasonable terms?

If evidence could be elicited which convinced an independent tribunal that the actions of a self-interested group were unnecessarily harmful to the interests of a wider class (creditors, shareholders, employees and small suppliers at risk of domino-effect bankruptcy) then the plaintiffs should be entitled to their order.

The court would have a discretion to frame the order on terms that were just and equitable, maintaining supervision until the true state of health of the patient had been fully diagnosed.

Martin Hodson.
Antrim Financial Services,
Warnford Court,
Throgmorton Street, EC2.

Dr Owen's novel prescription

From Mr M. J. Greener

Sir,—Dr David Owen's idea of distributing shares in the nationalised industries to all adult citizens might well capture the heart of the hustings but, as with so many grand designs, its practical application would present a rather more inglorious picture.

If the concept were to be restricted to those nationalised industries in line for privatisation the resultant spread of capital would afford an aliquot portion per person which would be so minuscule as to make the exercise both costly and valueless.

There might be more democratic sense in restricting the free share handout to existing employees—though this would difficult to justify and would hardly serve the noble ends thal Dr Owen must have in mind.

The large nationalised industries, on the other hand, could easily be split up among 40m, shareholders, though it is doubtful whether the ownership of shares in the coal, steel or railway industries would add anything to either the wealth of the recipients or their enjoyment thereof.

There is, of course, the possibility that the prospect of facing 40m shareholders at the next annual general meeting might add some useful urgency to the settlement of disputes within those industries. Come to think of it, Dr Owen man have inadvertently come up with the best recipe for industrial harmony yet, or would Mr Scargill not agree?

Michael J. Greener,
33 Glan Hafren, The Knap,
Barry, S. Glamorgan.

Why urban aid is vital

From the General Secretary, Southwark Council for Voluntary Service

Sir,—We are grateful to the Financial Times (Septembet 10) for again drawing onr attention to the threat to urban aid funding.

Urban aid is a vital form of funding for community initiatives in the inner city. It has been constantly reviewed by government—no sooner is one review out then another is announced. Yet each has shown the programme to be an excellent way of resourcing voluntary initiatives and to produce impressive results. It is also a very cost-effective method, requiring minimum bureaucracy to administer.

The constant threat to the urban programme does not arise from any just evaluation of its effectiveness but from the politics of the situation. Urban aid recognises the problems of the inner city. Other government financial calculations do the opposite and increase our disadvantage.

Of course this means that from time to time when the inner city does impinge on tha consciousness of government then the usefulness of the urban programme is sean. The amount of money for nrban aid was raised for the year after the Brixton disturbance and urban aid has also recently been used as a source to ease the problem of Liverpool.

Areas spotlighted by the press and ministers are not bowever unique. Tbe recent ILCEG report showed for instanca that Peckham has a higher unemployment rate than Merseyside. FT readers who travel through Jamaica Road, the Old Kent Road or via London Bridga can consider for themselves whether Southwark gives them a glimpse of poverty rather than "overspending."

If you would wish to help people in this area, and otber inner city areas in onr efforts to improve the situation then you should be an advocate of the urban programme. We do not lack drive, energy or commitment but to get things done one also needs material resources—office equipment, use of space, professional help. Such key aid is offered to the voluntary sector and to self-help groups by the urban programme.

Jenny Stiles,
SCVS,
135, Rye Lane SW15.

Cuts in home improvement grants

From Mr B. Toon

Sir,—It was interesting to read (Sept 10) that the cost of rising unemployment is one ol the factors leading the Treasury to demand cuts in home improvement grants and urban aid, when these cuts will themselves lead to yet further nnemploymant (up to 3,000 jobs in Birmingham alone this autumn).

It would also be interesting to know whether there is an economic base for any of the Government's present policies on housing, other than the demands of the Treasury.

Has there been any serious consideration of the long-term costs of drastically reducing finance for housing repair in public or private sector?

Is there a sound economic reason for providing unlimited finance for improvement grants for a limited pariod (1982-83) and then cutting the money in such a way that local authorities of all political persuasions are left scrambling to sort ont the appalling confusion and loss of faith that such reckless short-term policies produce?

It requires only a little thought to see why housing policies cannot be carried ont on the basis of annual budgets, and that stop-go policies musl act against skill and craftsmanship in the construction industry and lead to bad value for money when there is a boom.

The scale of housing disrepair and deterioration must be a source of considerable worry to the Minislers for Housing and the Environment. Abolishing the English House Condition Survey, so that there will be no objective large-scale information in future, seems a fairly ostrich-like solution to the problem—but the only one the Treasury has so far provided.

Is the Treasury so obsessed with its figures that it is incapable of seeing the true effects and providing a positiva approach? When will the Treasury recognise that its ivory tower is being shored up at the cost of the building industry, owner-occupiers and tenants who cower in its shadow?

B. Toon,
Community Forum,
65 Homer Street,
Birmingham 12.

Heavy costs of dock strike

From Mr A. C. Hollway

Sir,—Our company has over £100,000 of timber impounded on the quays due to the dock strike—which, hopefully, may be resolved quickly.

It is disturbing that approximately 8,000 striking dockers can attempt to hold the country to ransom, when judging by the votes of tha dockers, and also by tha ballot at Tilbury, the majority probably want to work.

It can only be intimidation and fear of violence by the pickets thal is stopping the majority of men returning. This form of persuasion, through excessive pickets, if allowed to continue has serious long-term consequences for law and order.

Think of the cost to many companies through delayed exports, diversion loss, interest on goods and long-term repntation for service. The cost to the country is totally out of proportion to the issue or number of strikers involved.

Although il doesn't strictly apply to the docks, there is surely a case for re-introducing "no-strike" clauses for public or monopoly services, the facilities of which are owned by the community and not the workers in the services concerned.

It does seem crazy that in a modern society, even with our recent trade union legislation, a union can authorise a strike without regard to the consequences to third parties.

Alan C. Hollway.
W. F. Hollway and Brother,
42 Grafton Street, Liverpool.

Taking the pledge

From Mr John Fenwick

Sir,—I was surprised to read in the FT (September 11) that Mrs Peggy Fenner, Parliamentary Secretary at the Ministry of Agriculture, had pledged Government support for the right to keep the tarm "British Sherry."

Just as champagne comes from tha Champagne district of France, so sherry comes from Jerez in Spain. There is no such thing as "British Sherry."

J. G. Fenwick.
62 Poplar Road,
Solihull, West Midlands.

FINANCIAL TIMES

Wednesday September 19 1984

Stora's Italian paper deal fails over terms

By David Brown in Stockholm

STORA KOPPARBERG, the large Swedish forest products group, has withdrawn from an agreement to acquire a 25 per cent stake in Cartiere del Garda, an Italian fine paper manufacturer, from Bertelsmann of West Germany after failing to agree on terms.

The acquisition was to have been part of a strategy to expand its share of the European fine paper market, and to secure another outlet for its market pulp output, Stora Kopparberg said. The group had planned to buy a further 50 per cent share of the Italian company in two years.

The deal failed, however, during subsequent negotiations on the purchase price and other acquisition terms, according to Mr Olle Lundqvist chairman of the fine paper division.

The decision will not affect its strategy to integrate part of its pulp output into paper production as a defence against fluctuation in the market pulp sector.

Stora Kopparberg acquired the Newton Falls fine paper mill in the U.S. earlier this year and is expanding its coated paper output. It already owns a pulp and paper mill in Nova Scotia.

● Billerud, the forest products group, increased first-half profits by 52 per cent after depreciation and financial items. An improvement in the domestic Swedish market was more than offset a weakening of Billerud's packaging activities in the UK and Austria.

Turnover advanced by 15 per cent to SKr 3bn ($347m) while costs rose at a slower rate. Operating results after depreciation grew by SKr 134m to SKr 543m. Net financial costs declined by SKr 13m to SKr 114m, yielding pre-tax profits of SKr 429m for the first six months which compares with the SKr 282m achieved during the period last year.

Price increases, particularly for market pulp, were offset by falls in both the price of and demand for timber, the group reported. Full year results would, however, show a "clear improvement" over last year's SKr 616m.

Billerud also announced its acquisition of a 25 per cent stake in Bischof & Klein, a West Germany packaging operation, for an unspecified sum.

Peres asks UN to ease Lebanon withdrawal

BY DAVID LENNON IN TEL AVIV

THE NEW Israeli Government led by Mr Shimon Peres is seeking UN mediation with Syria to pave the way for the withdrawal of its troops from Lebanon "within several months."

Both the Prime Minister and his Defence Minister, Mr Yitzhak Rabin have identified Syria as holding the key to Israeli withdrawal. Their quest for UN mediation begins this evening at a meeting between Mr Peres and Mr Brian Urquhart, the UN under-secretary general who has been touring the Middle East this week.

Tomorrow, Mr Urquhart will see Mr Rabin who said earlier this week that he believed an accord should be sought with Damascus on security arrangements which would enable a rapid pullback by Israel.

Jerusalem would still retain the right to stage punitive raids across the border against the Palestinian guerrilla concentrations, he said. But getting out is the realistic option, "for any permanent Israel Defence Force presence in southern Lebanon constitutes a time bomb," according to Mr Rabin.

However, "we must convey to the inhabitants of southern Lebanon, to Syria and to the Lebanese Government that Israel has a great interest in Lebanon," Mr Rabin said. If terrorists move south again, "then the Israel defence forces will go in and wipe them out whenever it sees fit."

Israeli ministers will ask Mr Urquhart both to seek Syrian agreement not to take over the areas which would be evacuated by the Israeli forces and also, to restrain its guerrilla allies from launching attacks on Israel from Lebanon.

Israel will be keen to learn from the UN official if Syria would agree to an expanded role for the UN peacekeeping forces in Lebanon. In particular Mr Rabin would like the UN troops to serve as a buffer between Syrian and Israeli troops as the Israeli force withdraws in rapid stages.

The new government is looking for an agreement with Syria because both the Prime Minister and Defence Minister recognise that the local militia, which the previous government tried to build up as an alternative to the Israeli troops in southern Lebanon will never be strong enough to take over Israel's role.

In place of the permanent Israeli military presence on the ground, Mr Rabin envisages the understanding with Syria permitting the UN troops to fill the vacuum left by the Israeli forces. This would not include the very south, beside the Israeli border, where the Israeli-backed militia would control the area with the assistance of small Israeli units.

● Egypt sees no possibility of improving relations with Israel as long as its troops remain in Lebanon, the Egyptian Charge d'Affaires in Tel Aviv said after delivering a message of congratulation from President Husni Mubarak, to Mr Shimon Peres, on his becoming the Prime Minister yesterday.

He expressed the hope that negotiations on normalising relations would be renewed, but stressed that the ball was in Israel's court. "We are ready to negotiate if there is a new atmosphere in the area," Mohammed Bassiouny, the Charge d'Affaires, said after the meeting with Mr Peres.

The Charge said there were three conditions for an improvement in relations: "Israeli withdrawal from Lebanon, building the confidence of the Palestinian people on the West Bank and in the Gaza Strip, and beginning negotiations about Taba," a disputed area of Sinai.

Dow Scandia to buy 29.9% of London broker Savory, Milln

BY DAVID LASCELLES AND JOHN MOORE IN LONDON

DOW SCANDIA, the bank jointly owned by Dow Chemical of the U.S. and three Scandinavian banks, is to buy a 29.9 per cent stake in Savory, Milln, the London stockbroker.

The deal, the latest in a string of City mergers, envisages Dow Scandia raising this interest to 100 per cent once the London Stock Exchange relaxes its rules on outside ownership of its members. The price is not being disclosed though actual payment will be deferred to provide Savory, Milln partners with an incentive to stay on.

Mr Henry Angst, Dow Scandia's group chief executive, said his bank is building up a specialist financial services business and "stockbroking fits in very well with our planning."

Dow Scandia is 52 per cent owned by Dow Financial Services, the finance subsidiary of the large U.S. chemical company. The rest is owned equally by Forretningsbanken of Norway, Sundsvallsbanken of Sweden and Bank of Helsinki in Finland. In 1981 it established itself in London by buying Arbuthnot Latham, the small merchant bank, for about £25m. Its balance sheet today totals about £500m ($850m) it employs 460 people, and is mainly active in merchant banking.

Savory, Milln is ranked 18th in terms of equity commissions handled in the London stock market. The 19-partner firm has a strong client base in the European continent founded on personal connections. On the research side it is noted for its expertise in building and construction.

Mr Robert Erith, the senior partner, said that the firm had been approached "by a vast number of people."

Talks with Dow had been taking place since early summer. "Their approach fitted in with our thinking. It will us a completely neutral source of finance. But their contacts will be helpful," he said.

Savory, Milln deals in 11 markets in Europe and is active in Scandinavian stocks. Dealing in overseas stocks and for European institutions accounts for between 40 and 50 per cent of its business.

Dow Scandia has a sister bank, Dow Banking in Zurich, which is 75 per cent owned by Dow Financial Services and is a member of the Swiss stock exchange.

Fraud move welcomed, Page 12

Calvi bank to pay state L30bn

BY JAMES BUXTON IN ROME

BANCO AMBROSIANO, the bank run by the late Sig Roberto Calvi which went into liquidation in 1982, has been ordered to pay damages of L30bn ($15.8m) to the Italian state.

The damages were ordered by the Court of Accounts in Rome for the bank's part in the illegal export of currency in 1975.

It was unclear last night whether the damages would have to be paid by the liquidators of the old Banco Ambrosiano, or by Nuovo Banco Ambrosiano, its succesor. If the new bank were liable it would be a serious financial blow. The bank lost L24.9bn in the period to June 30, 1983.

The damages award relates to a transaction authorised by Banco Ambrosiano under which its subsidiary La Centrale through a subsidiary in Switzerland bought shares in the Toro insurance company at a price far above that quoted on the Milan stock exchange, thus in effect exporting foreign currency in violation of the law.

In 1981 Sig Roberto Calvi was given a four-year jail sentence for his part in this operation. He was appealing against sentence when he died.

Banco Ambrosiano was ordered to pay the damages to make up for what the Italian state is reckoned to have suffered as a result of the transaction. The shares were bought by La Centrale for L38bn against a market price of L13bn.

In a separate development, lawyers representing Sig Licio Gelli, the fugitive venerable Master of the P2 Masonic Lodge, has offered to pay L15bn to the liquidators of Banco Ambrosiano as a gesture of his readiness to return to Italy.

Sig Gelli is not admitting any liability for this amount, which the Italian authorities are seeking to recover from him for his complicity in the fraudulent bankruptcy of the bank. Sig Gelli has said he is willing to return to Italy to face the many charges against him provided he can live under house arrest at his villa in Tuscany.

UK joint study on microchip research planned

By David Fishlock, Science Editor, in London

PLANS FOR a major British industrial research collaboration in seoiconductors, involving companies and universities, are to be put to the Government this autumn.

The scheme will bring together GEC, Plessey and STC, with university and government research, in a natiooal effort oo gallium arsenide, an alternative material to silicon for advanced semiconductor chips.

Gallium arsenide is the most *highly developed of a family of compound* semiconductors made by marrying two or more metals to obtain electrical properties differeot from and sometimes much better than silicon.

GEC yesterday formally opened a £3m ($3.7m) research complex at its Hirst Research Centre, Wembley, in North Loodon where it is studying the manufacture and properties of the new chips.

Already it is making experimental gallium arsenide chips "as good as anybody's" according to one research executive.

Professor Derek Roberts, GEC's technical director, disclosed plans for what he called "a major collaborative programme in the style of Alvey." The Alvey programme is Britain's recent answer to Japan's collaborative research programme to develop the fifth-generation or "supercomputer," announced in 1981.

Prof Roberts played a key role in drafting Alvey plans for the development of advanced silicon chips for the "thinking" computer, but those plans envisaged another collaboration on gallium arsenide once the silicon programme had been launched.

The new collaboration, embodied in an unpublished report called "A UK strategy for GaAs," envisages a joint research effort costing about £50m over three to five years. (GaAs is the chemical formula for the compound gallium arsenide.)

The part of the Alvey programme concerned with advanced silicon chips has committed about £100m.

Prof Roberts believes a commitment of four or five times the present rate of spending on gallium arsenide research is needed to restore Britain to the forefront. He said it had lost its place among the leaders only in the last few years' since the U.S. and Japan had started to spend heavily. It was "not an area where the UK is lagging years behind everyone else."

Prof Roberts said his confidence in collaboration between companies in pre-competitive industrial research in the electronics industry *was rooted* in the *success* it seemed to have enjoyed in about six such partnerships in Japan, and in the fact that it could reduce the big financial risks of research by opening more opportunities than any single company could afford.

Europe's experience of such a collaboration was limited so far to the pilot projects started by Esprit, the EEC initiative, before Esprit's main programme got under way.

In the case of gallium arsenide research in Britain, there is already a long history of collaboration between companies under a government-funded initiative by the Ministry of Defence.

The £3m GEC research facility for gallium arsenide has been designed and installed by the National Nuclear Corporation as the first *contract in a new venture* in which it plans to sell clean manufacturing facilities worldwide.

Texas Instruments in deal with Philips, Page 17

THE LEX COLUMN

No reverse gear for the dollar

The dollar's defiance of the laws of economic gravity is nothing new. But the unusual feature of the present rise is that it seems to be *propelled* by *nothing more than* what the markets quaintly term momentum. There may, of course, be some substance in this notion. Fundamental analysts are so deeply buried in their bunkers that the technicians have a free hand and this in itself may help to explain a more than usual exaggerated swing in the exchange rate pendulum.

Moreover, momentum seems as good a word as any to describe what is undoubtedly a highly speculative market. Sterling's sharp turn downwards on Friday after the collapse *of the miners' talks was neatly mirrored* by the short-covering yesterday as the settlement of the dock strike was announced.

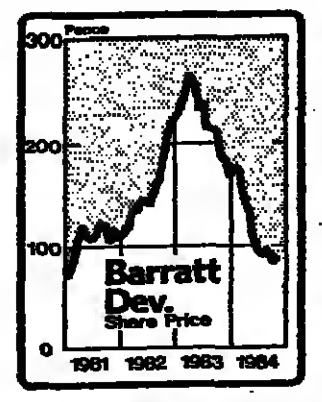
There is, however, a modicum of underlying logic to the developments of the past week and, in particular, to the recent weakness of sterling against non-dollar based currencies. The markets are increasingly of the view that the UK authorities will make e clear policy response to sterling's fall mly as a last resort.

The performance of the monetary aggregates and the PSBR give no immediate cause for concern and, so long as the general weakness of commodity prices is mitigating the inflationary impact of a strong dollar, there seems little reason to threaten what already looks a slowing economy. That may not quite add up to competitive devaluation but the relaxed posture taken by the Japanese and the West German central banks over the summer has done little damage either to their trade account or their inflation figures.

Barratt

Sir Lawrie Barratt's marketing skills have been applied as successfully in the City of London over the years as they have on *housing sites* around the country. In a fragmented and rather haphazard industry, be has managed to present his company as a kind of perpetual growth machine which, through the application of strict formulae, will produce higher profits and dividends year in, year out.

For so long as profits continue growing, it is hard to argue with such an approach. But, when the image starts to crack, it is desperately difficult to find a new one, and the group will take years to recover



from the damage inflicted by the *events of the past 12 months.*

The fall in profits from £50.3m to £35.6m pre-tax during the year to June cannot on its own explain the *current status* of the shares, which were languishing on a yield of 13.2 per cent at last night's price of 88p. The group has, after all, maintained its final dividend and, even nn fairly pessimistic assumptions about the current year, should manage the same again in 1984-85 without actually eating into reserves. Barratt'e problem is as much credibility as short-term performance.

Not that performance will be much help this year. The timber-frame seare has not been entirely dissipated and,. even leaving that aside, the outlook for UK housing starts is far from bright. UK trading margins were sliced from 9.8 to 6.8 per cent last year as the group was unable to match a 17 per cent fall in unit sales with cost reductions. The cost base is now being pared back but, so far at least, sales are down on the same period a year ago and the group is having to fund last year's £100m cash outflow. The U.S. is now performing well, at least at the trading level, and the UK should see some improvement in the second half but it is hard to see how the group can avoid a further, and substantial, fall in profits this year.

Fisons

One hurdle after another is still being cleared by Fisons with remarkable panache. The 1982-83 disposals behind it, the group has taken some critical pharmaceutical product launches in its stride in the last year or so and yesterday's interim results attest to the progress made in Japan and the U.S. especially.

The chief importance of the six months to June, however, is the evidence it presents of a successful expansion of Fisons' scientific equipment business.

The shares dipped earlier this year when the group unveiled its U.S. plans in this direction. Fisons yesterday confounded its critics with a first time £4m pre-tax contribution from its principal equipment subsidiary in the U.S., which could easily add £10m for the year as a whole.

Group pre-tax profits of £24.7m, up from £16m, therefore reflect a significantly broader mix of activities while resting on a healthy 29 per cent jump in profits from continuing operations.

A full year figure of perhaps £47m sets the shares at 233p, up 7p, on a prospective p/e multiple of about 13 – which seems to leave the market trailing a little way behind the hurdler on the track.

Lonrho/Fraser

Even Fraser's largest and most cantankerous shareholder could find little to complain at in yesterday's half-year results, showing a 73 per cent jump in pre-tax profits to £7.4m.

The figures, published prematurely to get institutions on the management's side before next week's boardroom elections, can be advanced as evidence of Fraser's gradual progress towards getting a reasonable return out of its assets.

It is indeed some while since the group could show sales growth running comfortably into double figures – with a good half of it representing volume.

All the same, there is no disguising the value to Fraser of its prime trading site in Knightsbridge. When virtually all the stores north of Birmingham have started to struggle against the effects of the miners' strike – implying higher bad debts and slackening sales all round – Harrods is demonstrating its unrivalled capacity to pull in the tourist dollar.

A prime beneficiary of dollar-fever in the currency markets. Harrods has been enjoying the sort of volume growth that Lonrho would give its eye-teeth to see accounted separately.

That is a pleasure which seems unlikely to be granted unless Lonrho achieved a quite unexpected degree of success at the annual meeting. Lonrho's case for unseating Prof Smith and Mr Sharp remains extremely tenuous, despite a further despatch from Cheapside yesterday giving Fraser shareholders Mr Jack Hayward's telephone number as an incidental bonus.

EEC offers U.S. talks on steel

Continued from Page 1

acknowledged that there was a political link between the imminence of the decision by Mr Reagan and the offer of talks on pipes and tubes, they emphasise that pipes and tubes are a distinct part of the market.

There could be no question, they said, nf linking any possible restraint agreement on pipes and tubes with the market shares implicit in the 1982 agreement.

Although Viscount Davignon is prepared to have talks on pipes and tubes, he is not in a position to make any agreement on adjustments to import levels, as pipes and tubes are not part of the EEC system of controls on the European steel industry.

One option open to Mr Reagan is setting an informal target of 19 per cent for imported steel's share of the U.S. market, which would reduce imports from the 25 per cent share they have commanded through much of this year.

The target might be reached through negotiating new and orderly steel marketing agreements with countries such as South Korea and Brazil, curbing EEC pipe and tube shipments and seeking to roll back some of the increase in Japan's exports this year.

Other variations were also being debated.

UK dock strike to end today

Continued from Page 1

to handle it in support of the miners.

British Steel, which still insists it has not been party to any formal quota arrangement, said work at Hunterston would resume today with the discharging of 155,000 tonnes of Australian iron ore from the bulk carrier Kona.

Mr John Connolly, secretary of the transport union's docks and waterways group, said yesterday the union would conduct an inquest on the strike. The strike had, however, achieved its primary objective in the winning of a quota arrangement with the steel unions, he said.

Mr Arthur Scargill, president of the NUM, will meet transport union leaders today in London to discuss what further support they can offer the miners.

It will be the first such meeting since the Trade Union Congress (TUC) agreed a statement of support for the miners two weeks ago. The transport unions – already strong supporters of the mineworkers – will seek to use the statement to encourage further and wider solidarity action by their members.

The TUC statement called on unions to ban the use of coal, coke or oil carried across miners' picket lines.

The power unions, after an inconclusive meeting on Monday, are to meet the NUM officials later this week or early next. Officials of those unions in the industry which support the TUC statement remain anxious to act in unity with the electricians and power engineers, who are opposed to the statement. They are, however, ultimately prepared to act without an agreement between the unions to show some measure of solidarity with the miners.

The TUC's finance and geoeral purposes committee is to meet on Friday to discuss how best to assist the NUM financially. Interest-free loans are the favoured approach.

Massey may sell French combine plant

Continued from Page 1

Marquette was now at the centre of inter-ministerial discussions and negotiations.

The issue is also sensitive be*cause Marquette*, where 500 workers have been laid off since last year, is at the centre of one of the more depressed industrial areas of France and close to Lille, the constituency of M Pierre Mauroy, tha former Prime Minister who was replaced by *M Laurent Fabius last July.*

Officials pointed out yesterday that the Governmeot had advanced aid to Massey-Ferguson in return from commitments on jobs and investments from the Canadian *group.* One government official *said* that Massey-Ferguson was now basically telling the Government that it found it difficult to maiotain its commitments because of the serious state of the combine harvester market.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	22	72	Dubrovnik	S	23	73	Malaga	R	32	90	Salzburg	F	18	64
Akrotiri	S	27	81	Faro	S	25	77	Malta	S	28	82	Seoul	F	26	79
Algiers	S	29	84	Florence	C	13	55	Manila	C	32	90	Singapore	T	28	82
Amsterdam	F	17	63	Frankfurt	C	16	61	Miami	C	30	86	Stockholm	F	13	55
Athens	S	29	84	Funchal	R	21	70	Milan	R	16	61	Strasbourg	C	15	59
Bahrain	–	—	—	Geneva	R	19	66	Moscow	R	11	52	Sydney	C	18	64
Bangkok	C	34	93	Gibraltar	S	28	82	Munich	C	14	57	Taipei	–	—	—
Barcelona	F	23	73	Guernsey	F	16	61	Nairobi	F	26	79	Tangier	F	24	75
Beirut	C	27	81	Helsinki	R	11	52	Naples	C	22	72	Tehran	–	—	—
Belgrade	F	22	72	H. Kong	F	30	86	New Delhi	F	30	86	Tel Aviv	S	28	82
Berlin	C	15	59	Innsbruck	F	15	59	New York	C	18	64	Tenerife	C	25	77
Biarritz	F	18	64	Inverness	F	14	57	Nice	C	18	64	Tokyo	R	24	75
Blackpool	D	14	57	Istanbul	S	27	81	Oporto	–	—	—	Toronto	–	—	—
Bordeaux	C	17	63	Jersey	F	16	61	Oslo	C	12	55	Tunis	–	—	—
Brussels	F	16	61	Jo'burg	C	23	73	Paris	C	14	57	Valencia	S	25	77
Budapest	S	20	68	Las Palmas	S	26	79	Prague	F	16	61	Venice	F	18	64
B. Aires	C	19	66	Lima	C	20	68	Reykjavik	C	10	50	Vienna	C	16	61
Cairo	S	31	88	Lisbon	S	22	72	Rio de J'o	–	—	—	Warsaw	C	11	52
Cape Town	C	18	64	Locarno	–	—	—	Rome	F	25	77	Zurich	R	14	57
Caracas	–	—	—	London	C	16	61								
Casablanca	C	22	72	Los Angeles	–	—	—								
Copenhagen	C	16	61	Luxembourg	R	14	57								
Corfu	–	—	—	Madrid	S	24	75								
Dublin	C	15	59	Majorca	F	25	77								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Bundesbank sees growth

Continued from Page 1

It has indicated that its monetary policy is on course, with growth in money supply since the fourth quarter of last year amounting to an an*nual rate of just on 5 per cent.* That is midway in the 4 to 8 per cent corridor, which it has set for money supply growth this year – a rather *more* stringent target than last year.

With inflation currently running below 2 per cent, its lowest level for 15 years, senior Bundesbank officials and government ministers have been quick to emphasise the part played by firm monetary policy.

The Bundesbank also reaffirmed its desire to see a speedy end to the so-called coupon tax, the 25 per cent withholding tax on interest earned by foreign residents from domestic securities.

Spurred on by the Bundesbank, the Cabinet in Bonn has eodorsed the idea, but before acting it has been consulting the state governments, which receive part of the tax revenue.

The *Bundesbank indicated that* repeal of the tax was desirable so that West Germany could remain competitive in international financial markets now that the U.S. and other countries have decided to remove similar taxes.

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SECTION II – INTERNATIONAL COMPANIES

FINANCIAL TIMES

Wednesday September 19 1984

German new issue prices too low says Bundesbank

BY JOHN DAVIES IN FRANKFURT

THE BUNDESBANK, West Germany's central bank, has sharply criticised the terms on which some new shares have been issued to the public – indicating in rather waspish tones that it believes the shares have been underpriced.

It is all very well that some recent issues have been heavily over-subscribed, the central bank muses in its latest monthly report. This shows that West German investors are in fact ready to stump up risk capital for companies – a point sometimes disputed.

But companies newly launched on the stock market would be better served if their shares were issued on terms more in tune with the market, the Bundesbank adds.

The new issue market is in the hands of only a few institutions, the central bank says, and as a result there is only limited competition between new issue houses.

Only when more institutions become active is there likely to be competitive pressure to reduce the gap between the issue price and the initial stock market traded price, it says.

The Bundesbank names no names, but fires off its barbs after referring to the wave of new share issues between May and July.

The targets of its criticism are likely to feel sorely treated and to point to the conflicting pressures and compromises involved in pricing and launching successful new issues. Efforts have also been made to take a long-term view in pricing issues, allowing scope for changed market conditions.

The Bundesbank has long been pressing for the stock market to be used more effectively as a source of raising finance for enterprises.

Since the new issue market began to liven up in West Germany in about July last year, there has generally been strong interest in share launchings.

Investors anxious for a quick profit increasingly rushed to subscribe to new issues, particularly for such established companies as Porsche, the luxury car maker, and Nixdorf, the computer concern.

Initial traded prices in some cases have been well above issue prices.

While some new issues, including Porsche and Nixdorf are still well ahead of their issue price, others have lost ground, to the dismay of investors – and as a result, some of the glitter has rubbed off the new issue market.

Mr Robert Carlson

Carlson quits United Technologies

By Terry Dodsworth in New York

UNITED Technologies president Mr Robert Carlson resigned unexpectedly yesterday after only 16 months in the post.

The company, which ranks as the seventh largest manufacturing group in the U.S., gave no explanation for Mr Carlson's sudden departure. The move gave rise to speculation however, that he may have disagreed with the policies of Mr Harry Gray, the hard-driving chairman and chief executive who has expanded the company over the past 15 years through a series of aggressive takeovers.

Mr Carlson had day-to-day managerial responsibility for most of the group's operating divisions, but Mr Gray had retained his grip on the business by combining the post of chairman with that of chief executive officer. Earlier this year, the board announced that Mr Gray, who is 65, had agreed to continue in both jobs until December of next year.

UT said yesterday that a special committee of the board had been appointed to work with Mr Gray to "assure timely identification of a successor."

Mr Carlson, who is also 55, joined UT from Deere, the Illinois-based agricultural equipment group, as group vice-president in 1979.

Philips agrees joint deal with Texas Instruments

BY LOUISE KEHOE IN SAN FRANCISCO

TEXAS Instruments and Philips, the Dutch electronics group, have announced a joint programme to develop "standard cell" circuits. The companies will combine their ranges of standard cells which are pre-defined circuit elements that can be used to design custom circuits for particular applications.

In addition, the companies have agreed to design and develop new standard cells to extend the common library and to jointly develop new libraries. Initially the companies plan to reduce the cell sizes in the current library by reducing the circuit geometries from 3 microns to 2.3 microns. This will improve the performance of the circuits and extend the library to include more complex functions.

According to Dataquest, the market research company, the worldwide market for standard cell products will more than triple in size by 1989 to around $1.2bn. Experts expect the standard cell method of designing circuits tailored to a customer's requirement to widely replace the use of "gate array" semi-custom circuits by the end of the decade. At present standard cell circuits are more expensive and take longer to design than gate arrays, but they offer higer levels of complexity.

● General Electric Corporation of the U.S. and Ungermann-Bass, a Silicon Valley computer communications company, have agreed to form an independent joint venture company to develop local area network (LAN) communications systems for use in factories.

Such networks connect computer and robotics systems over short distances. To date they have been used primarily in offices to connect large numbers of personal computers, mini and mainframe computers. The LAN enables the computers to share data and resources such as printers and data storage units.

The joint venture company will aim to develop LANs that connect all industrial automation equipment and other computer systems such as computer aided design systems regardless of brand. Products of the joint venture will be sold to industrial equipment manufacturers, including GE.

The company's products will be compatible with General Motor's manufacturing automation protocol for computer communications, which is supported by companies including IBM, Hewlett-Packard and Digital Equipment Corporation.

Ungermann-Bass and GE will be shareholders of the independent corporation.

65% fall in profit for Levi Strauss

By Our Financial Staff

LEVI STRAUSS, the U.S. jeans producer which has been hit by the move away from traditional denims, has reported another steep fall in profits following the 85 per cent plunge in the second quarter.

Net earnings in the third quarter ended August 26 were down 65 per cent from $64.8m, or $1.53 a share, to $22.5m, or 61 cents, taking nine months' earnings to just $39.7m, or $1.02 a share, against $142.9m, or $3.39, last time.

The San Francisco-based concern blamed the latest fall mainly on lower sales throughout most of the company, although sales from its largest division, jeanswear, were even with the previous year. Total sales in the third quarter were down from $785.1m to $718.8m, taking the nine-month total to $1.915bn against $2.03bn.

Additionally, unit costs were greater, and there were higher sales of less profitable items.

Sales for Levi Strauss USA fell 7 per cent to $524.1m, while international sales dropped 17 per cent to $142.8m, with the European division particularly weak. Battery Street Enterprises' sales were $50.9m, up 5 per cent.

Mr Robert Haas, president, said: "Sales and earnings for the company during the balance of the year are expected to be disappointing, although we continue to maintain strong market share in our principal products." Initial response to the U.S. advertising campaign for the 501 jeans brand had been encouraging.

The earnings figure for the latest nine months includes a $25m loss on plant closures and restructuring. Levi said in May that it would shut 10 per cent of its production capacity in the U.S. and Europe

Mr Haas said yesterday that significant actions had been taken to improve operating results, "but we will not begin to benefit from these initiatives until 1985."

Increased bad debt provisions aid French banks' borrowing

BY DAVID MARSH IN PARIS

MUCH INCREASED provisions by French banks on doubtful loans at home and abroad have helped to secure the banks' international credit rating in spite of heavy borrowings on the Euromarket in the past few years, M Jean Dromer, president of the French Banking Association, said yesterday.

French banks' policies on provisions was one of the most "attentive" of all countries, he said, adding that commercial banks' net provisions rose to FFr 23bn ($2.44bn) last year from FFr 19.6bn in 1982.

He admitted that French banks' capital ratios were still low by international standards, however, he said they were taking steps to strengthen balance sheets according to norms set by the Banking Control Commission. These are due to be fulfilled by mid-1985.

Presenting the association's annual report, M Dromer, who is chairman of Paris-based Banque Internationale pour l'Afrique Occidentale, said provisions last year amounted to more than three times the banks' net profits of FFr 7bn.

These profits – compared with the banks' total loans outstanding at the end of 1983 of FFr 1,405bn – were up slightly from FFr 6.6bn in 1982 but still down from FFr 7.4bn in 1981.

M Dromer said other factors behind the banks' relative ease of funding abroad were their more solid structure of resources compared with other banks operating internationally. French institutions, for instance, had made a big effort to lengthen the maturity structure of their foreign-exchange borrowings, he said. The fact that most banks were state-owned had only a small effect in smoothing their passage on international capital markets, he said.

Figures from the association, covering commercial banks (*banques inscrites*) but not the large mutualist and co-operative groups, show the institutions increased foreign currency borrowings last year to FFr 126.3bn from FFr 104.5bn in 1982, although much of last year's increase was due simply to the appreciation of the dollar against the franc.

M Dromer also was at pains to minimise the consequences on banking employment of the rapid introduction of new technology in the banking system.

Job losses due to the spread of electronics would not be "a problem" in the short term, M Dromer said, and the banks – which now employ 250,000 people – had managed to increase jobs progressively over the past 10 years in spite of growing productivity. Introduction of automatic banking would necessitate greater efforts in training staff. It would extend the trend for personnel increasingly to carry out managerial functions, as opposed to routine duties.

Toyoda may take HES stake

BY OUR FINANCIAL STAFF

THE FRENCH Government is exploring the possibility of allowing the Japanese machine tool group Toyoda to take a stake in H. Ernault Somua (HES), the troubled engineering company owned by the Empain-Schneider conglomerate.

Although no decision has been made, one option being considered in Paris is for Toyoda, which has links with HES in making milling tools, to take an equity share in its primary metal-turning operations.

The French Government has become keener on inviting Japanese companies into troubled industrial sectors as a means of rescuing jobs. This spring's accord allowing Sumitomo Rubber to take over the bankrupt French subsidiary of Dunlop, as well as the link-up between Motobecan and Yamaha, show how Paris is losing some of its customary reluctance to allow in Japanese "Trojan horses."

None the less, approval of an effective takeover of HES, one of the prestige names of the French machine tools industry, would be controversial.

Mannesmann may absorb tubes unit

BY JAMES BUCHAN IN BONN

VEREINIGTE Deutsche Metallwerke (VDM), the manufacturing arm of the West German Metallgesellschaft group, is to stop production of loss-making stainless steel and nickel alloy tubes and is holding talks with Mannesmann on the transfer of its product range.

The market for these types of tubes has been badly hit by the recession in shipbuilding and industrial plant construction, and VDM, which produced 4,500 tonnes of these tubes last year on turnover of DM 120m ($40m), has run up losses of DM 130m in the past eight years.

By taking over VDM's product range, Mannesmann hopes to improve capacity at its key pipemaking subsidiary, Mannesmannroehren-Werke, which saw sales revenue fall by 23 per cent to DM 4.7bn last year. Stainless and nickel-alloy tubes account for DM 200m of the division's takeover.

VDM said 600 jobs would be affected.

Macy earnings dip sharply in fourth quarter

By Our Financial Staff

EARNINGS growth at R. H. Macy, the big U.S. department store group, slowed sharply in the fourth quarter ended July 28, with net profits up 5 per cent from $42.7m, or 85 cents a share, to $44.8m (88 cents).

Despite the small rise, profits for the full year were up 18.8 per cent from $186.7m, or $3.72 a share, to $221.8m ($4.37), reflecting healthy gains in the first three quarters of the fiscal year. Sales rose from $3.5bn to $4bn for the year, with $918.9m ($809m) in the final quarter.

The relatively disappointing fourth-quarter figures brought a sharp reaction in Wall Street early yesterday, with shares in R. H. Macy down $2⅛ to $47⅛ in active trading. Last month several other store groups reported solid gains in their latest three-month trading periods, and most analysts were expecting full-year earnings of about $4.50.

Volvo judged top in accountants' survey

BY ALISON HOGAN IN LONDON

VOLVO, the Swedish motor manufacturer, was judged to have the best set of financial statements in a survey of the annual reports of 175 major international companies published by FT Business Information.

CSR, the Australian household products, food and energy group came second, followed by the South African company Sentachem, which was commended for overcoming the difficulty of reporting in two languages.

At the bottom of the list came Pirelli, Seat, Campsa and Mitsubishi Estate.

"Pirelli's accounts lacked dates, accounting policies, notes to the accounts and in our view, clarity," say the authors Mr Peter Stilling and Mr Richard Norton of accountants Touche Ross and Mr Leon Hopkins, of World Accounting Report.

Very last was Mitsubishi Estate, the Japanese construction company which provided accounts on two sheets with figures given to the nearest yen but including "no dates, no notes, no audit report and no additional information."

The survey found little evidence that international companies are highly motivated to comply with international accounting standards.

The International Accounting Standards Committee "may be knocking at a door which is firmly locked" in seeking compliance with its standards, the authors conclude. "The principal benefits to the profession of IASC should be its influence on national standard setters."

The authors of the survey found variations in the methods of presenting group results to be unsatisfactory. They say consolidated group accounts are usually essential if meaningful figures are to be produced.

World Accounting Survey 1984 is available from FT Business Information, 102-108 Clerkenwell Road, London EC1M 5SA, price £78 (UK) or $135 (Overseas).

Visicorp loses law battle with Software Arts

By Our Financial Staff

VISICORP, the U.S. personal computer software company, has lost its legal battle to retain marketing rights to the top-selling VisiCalc spread sheet program. In an out-of-court settlement on Monday, Visicorp agreed to stop selling the program and pay $500,000 in royalties to Software Arts, the company that created VisiCalc. Software Arts now has exclusive rights to the product.

As the first successful business application program for personal computers, VisiCalc is credited with creating the business market for personal computer now worth about $10bn in the U.S. alone.

The settlement between Visicorp and Software Arts ends a bitter one-year struggle that has seriously drained both companies' resources.

Visicorp sued Software Arts for $60m last September, claiming that it failed to provide updated versions of VisiCalc. Software Arts countersued a month later asking for around $80m in damages because it alleged Visicorp was not fulfilling its marketing obligations for the program.

INTERNATIONAL COMPANIES and FINANCE

Sony forecasts best ever year

BY YOKO SHIBATA IN TOKYO

SONY, the Japanese consumer electronics major, is forecasting record sales and net profits for the present financial year (which ends on October 31). *This follows a good performance* in the nine months to July 31 when net profits on a group basis more than trebled to Y54.26bn ($219m) from Y17.11bn a year earlier.

The group's earnings recovery follows serious setbacks that ran from the last quarter of fiscal 1982 until the same quarter of 1983. Growing sales by the video and the television divisions in the U.S. plus tighter inventory controls and reduced net interest payments all contributed.

In the nine-month period, Sony's overseas turnover accounted for 70.4 per cent of the total while domestic sales rose by 9.6 per cent on that of the previous year.

Video equipment sales, which amounted to 41.5 per cent of the total, rose by 13.1 per cent, mainly boosted by strong sales of the higher valued Betamovie and Beta Hi-Fi products. However, the company accepts that sales of the group's standard Betamax format video cassette recorders are continuing to weaken in relation to those of the rival VHS system.

On current performance, Sony is forecasting sales of 2.0m units (against an original forecast for the year of 2.8m units) for the year to October. This compares favourably with last year's depressed result of 2.25m units.

The television division, traditionally the second largest, fared well with sales up 13.2 per cent for the third quarter to account for 23.7 per cent of the quarter's turnover. The rise, to some Y74bn, was also an increase on the result for the previous quarter.

Audio equipment sales rose more modestly when compared with the same quarter last year, by 4.4 per cent to Y69bn.

With the group's product lines in the television and video divisions rapidly maturing, Sony is counting on increased sales of its newer products—such as micro floppy discs and drive units, office automation equipment, and personal computers. Sales of this division, which appears under the heading of "other items," grew by 29.8 per cent to Y39bn over the third quarter of last year to account for 12.5 per cent of turnover.

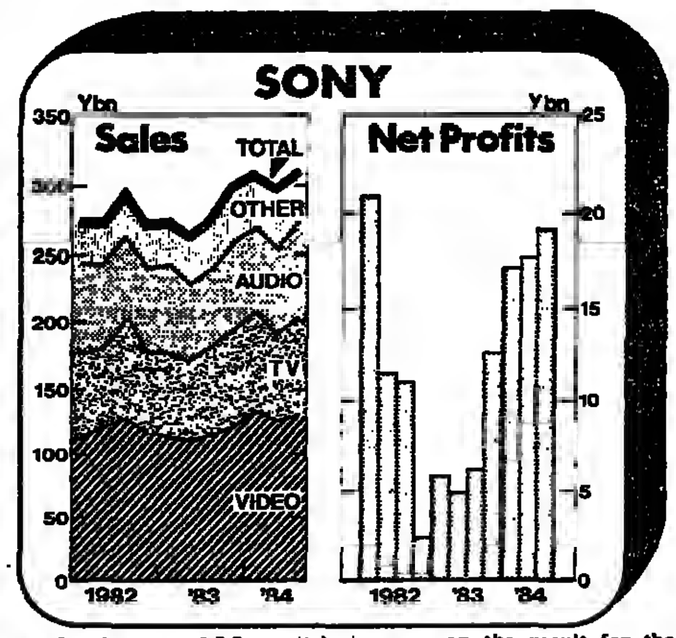
It is the company's objective to lift the sales of its "other products" division to over 50 per cent of group turnover by the year 1990 when it forecasts that total sales will be Y2,000bn.

During the nine months there was a sizeable improvement in the ratio of cost of sales to net sales from 72 per cent to 68 per cent thanks largely to the higher production levels.

Net interest payments continue to be at a low level—Y1.16bn in the third quarter against Y1.01bn in the second and Y2.54bn in the same period of last year.

The below-the-line figure was also boosted by a Y1.8bn gain from the sale of 1m shares in the Sony Magnescale subsidiary when that company was listed on the Tokyo exchanges' second section in July.

The continuing growth of the U.S. and Japanese economies plus the expectation of a turnround in Europe, have led Sony to forecast annual net profits in excess of Y70bn on sales of Y2,500bn—both of them record levels.



Record turnover and profits at Tata Tea

BY P. C. MAHANTI IN CALCUTTA

TATA TEA, the largest Indian tea company, has turned in *excellent results for 1983* with sales and pre-tax profits at record levels.

Turnover increased by over 42 per cent to Rs 1.11bn ($95m) while pre-tax profit at Rs 235.5m was over five times as much as that of 1982.

The results reflect the highly prosperous conditions in the tea industry in India. Most of the tea companies that have announced their results for 1983 have shown sharply higher pre-tax profits and sales figures than for any year in the past decade. This is due to the record prices obtained.

Tata Tea for example sold 384.2m kilograms of black tea in 1983, which was only marginally higher than in the previous year, yet sales income has *jumped* by 42 per cent.

The company has paid dividends totalling 35 per cent for 1983 after having paid no dividends for the previous three years. It has already declared an interim dividend of 15 cents for 1984 and says prospects are for as good a year as 1983.

The company's programme of upgrading and modernising its assets continues in full swing. It spent a total of Rs 90m on these projects in 1983 and proposes to spend a substantial sum during the current year.

Its high value-added exports, in the form of packet tea and instant tea, have done particularly well with each registering significant growth over the previous year's sales figures.

Increased earnings and dividend from Humes

BY MICHAEL THOMPSON-NOEL IN SYDNEY

THE STRENGTH of activity in the Australian building sector of late, which has fostered a widespread improvement in profits, has benefited Humes, the construction and building products group, in the year to June 30.

Net profits were 40 per cent higher, at A$30.1m (U.S.$25.6m), although turnover was down slightly to A$673.3m from A$676.3m. The annual dividend has been increased from 10 cents a share to 11 cents a share.

The result featured a full year's contribution from Arc Industries for the first time. Humes said yesterday that further progress was being made in the current year, with additional growth being seen in the private housing sector, and in the commercial building market.

Tax took A$24.8m against A$19.3m, while interest charges were sharply lower at A$13.7m compared with A$22.9m due to a reduction of A$90m in group borrowing and lower interest rates.

● The Lenita One offshore wildcat well flowed oil at a stabilised rate of 2,723 barrels per day accompanied by gas at the rate of 4.7m cubic feet per day, Australian Occidental, its operator, has announced.

The flow during a drill stem test over the interval 1,943.5 to 1,946 metres was through a five-eights inch surface choke. The oil had a gravity of 38 degrees API, Reuter reports from Perth.

The well was drilled to a depth of 2,232 metres and is the 10th drilled in permit WA-192-P offshore Western Australia over a 25-month period.

The participants in the project are Australian Occidental with 32.53 per cent, Bond Corporation 30.12 per cent, Texas Eastern Australia 12.05 per cent, Reading Rates Australia Petroleum 10.24 per cent, Ponton Oil Minerals 9.04 per cent, and Pelsart Oil 6.02 per cent.

MAS takes privatisation advice

BY WONG SULONG IN KUALA LUMPUR

MALAYSIAN AIRLINE System (MAS), has appointed a local merchant bank to advise it on privatisation leading to a listing on the stock exchange.

Datuk Aziz Rahman, the managing director of MAS, said Malaysian International Merchant Bankers will evaluate the assets of the airline and recommend the size of an increase in paid-up capital as well as advise on the sale of shares.

MAS currently has a paid-up capital of 70m ringgit (U.S.$30m) with the equity split 90:5:5 between the Federal, Sabah and Sarawak governments.

Datuk Aziz said the government would still hold between 30 and 40 per cent of MAS after it obtained an exchange listing which he hoped would be in early 1986.

He said the airline recorded its best year in its 12 year history when it made after-tax profits of over 90m ringgit for the year ended March 1983.

● Faber Merlin Malaysia lifted group profit, after tax but before extraordinary items, by 49 per cent to 6.5m ringgit in the second half of the year to June 30, and for the full year to June, the hotel and property company's after-tax earnings were 42 per cent higher at 11.4m ringgit ($4.82m), AP-DJ reports from Singapore.

Group turnover for the year rose by 89 per cent to 175.4m ringgit and investment and other income, at 2.8m ringgit, was more than trebled.

The company says prospects for the current year are good because of "the timely completion" of various property projects.

Faber Merlin has declared a final dividend of 3.5 cents a share gross.

Oman bank buys 14 branches

MANAMA—Oman International Bank has acquired 14 branch offices of the British Bank of the Middle East (BBME) for 5m riyals ($14.5m).

BBME, which is a subsidiary of Hong Kong and Shanghai Banking Corporation, said the decision to sell the 14 offices was in "keeping with the times." Officials at BBME, which prior to the sale had the second largest branch network in Oman, have said privately that the Omani banking sector was overcrowded.

AP-DJ

Sales reach R2.81bn at restructured Kirsh Trading

BY JIM JONES IN JOHANNESBURG

CHECKERS, South Africa's *largest supermarket chain, has* returned to profits according to Mr Gordon Utian, its chief executive. Precise figures are not disclosed.

However, Checkers' results are included in those of controlling shareholder Kirsh Trading which is quoted on the Johannesburg Stock Exchange and which, following a restructuring and incorporation of other subsidiaries in January, increased turnover to R2.81bn ($1.67bn) in the year ended June 30 1984. In the preceding year turnover was R1.15bn but the two years' figures are not comparabln owing to the restructuring and consolidation of additional subsidiaries.

During the year operating profit before interest and tax was R77m against an operating loss of R8.8m.

On January 9, Kirsh Trading acquired the entire equity capital of Russell, a furniture *retailer, and that of Metcash,* the cash and carry wholesaler. At the same time 30.7 per cent of Dion Stores, a retail discount chain was consolidated in Kirsh Trading's results as was 37.1 per cent of the Union Wine-liquor group and 50 per cent of Dee Bee Supermarkets. The results of the latest financial year include 12 months trading by Checkers, which was previously the only important consolidated holding of the group, and 14 months trading of all the other operations.

Kirsh's profit after tax but before extraordinary items was R17.1m in the period just ended against a loss of R14.4m in the preceding year. Earnings per share were 37.6 cents against a loss of 293.9 cents a share. A dividend total of 20 cents has been declared against 5 cents.

INTERNATIONAL APPOINTMENTS

Top posts at Gulf and Western

● GULF AND WESTERN INDUSTRIES has named two company executives to top posts vacated when **Mr Barry Diller** resigned to become chief of Twentieth Century-Fox Film Corporation. **Mr Arthur Baron** has been named president of the entertainment and communications group, of which he was formerly executive vice-president. **Mr Frank Mancuso** has moved up to the post of chairman and chief executive of Paramount Pictures Corporation after being president of the Paramount Motion Picture Group. At the same time **Mr Michael D. Eisner**, president of **Paramount Pictures Corporation**, has resigned.

● MORGAN GUARANTY TRUST COMPANY of New York has appointed **Mr Peter F. Culvar** as vice-president and deputy general manager at Euro-clear operations centre in the bank's Brussels office. Mr Culvar, who joinad Morgan Guaranty in August 1971, was appointed a vice-president in 1977.

● Finland's commercial bank KANSALLIS-OSAKE-PANKKI is to establish a representative office in Stockholm. **Mr Birger Sandström**, formerly area manager in the head office, international division, has been appointed manager of the representativa office in Stockholm. He has been employed by Kansallis-Osake-Pankki since 1982.

● Two new chief manager posts have been created at ANZ BANK's administrative headquarters in Melbourne. **Mr Brian J. Farrell** has been appointed chief manager — international administration with responsibility for planning and development of international systems services and personnel. Mr Farrell has recently returned from ANZ Bank's New York office where he held the post of executive vice president. **Mr Robert J. Mauger** has been appointed chief manager—International services. Mr Mauger was previously senior manager—international customer services. **Mr Rupert C. Thomas**, who was previously based in Melbourne as chief manager — International, has been appointed executive vice president — North America, based in New York.

● ATWOOD OCEANICS, INC, an international offshore drilling contractor headquartered in Houston, Texas, has apointed **Mr Pete L. Gonzalez** treasurer and controller. Mr Gonzalez, who has served as controller since June 1981, also worked for Atwood Oceanics as accounting manager from May 1978 to September

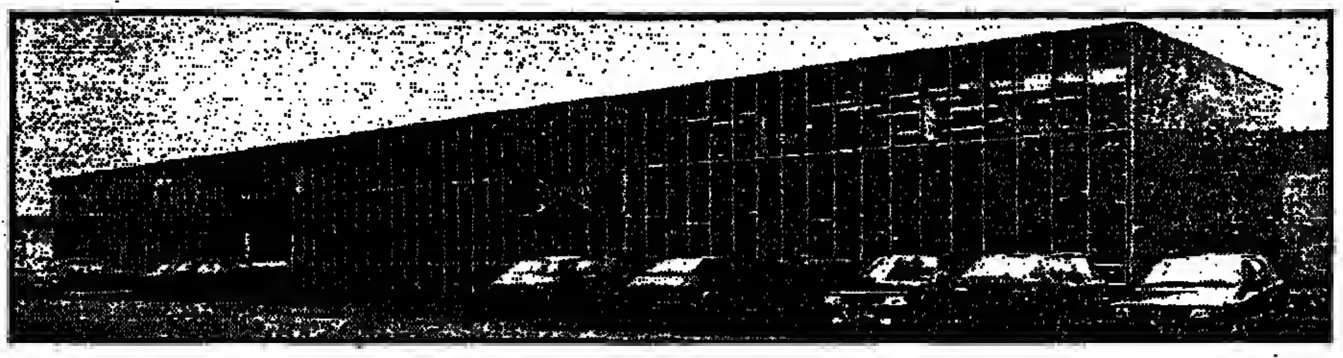
● TRIOLOGY has made **Mr Henry C. Montgomery** its president and chief operating officer, replacing **Mr Frederick T. White**, who becomes vice chairman. **Mr Paul McEnroe** has been promoted to president and chief operating officer of the company's California-based subsidiary, Triology Systems Corporation. Mr Montgomery was most recently president of Pizza Time Theatre. Mr McEnroe was formerly executive vice president of Triology Systems.

● **Mr John W. Guilfoyle**, executive vice president of ITT CORPORATION, has been elected a member of its board. Mr Guilfoyle will continue to serve as president and chief executive of ITT Telecommunications Corporation, a management entity overseeing all of ITT's manufacturing and marketing of telecommunications defense and aerospace and related products world wide. Mr *Guilfoyle was appointed president* of ITT Telecommunications Corporation in June 1983. Before that, he had been in charge of ITT operations in Africa and the Middle East from September, 1977, until July, 1979, when he was named president of ITT Europe, Inc, and elected executive vice president of the corporation.

● NORTHERN TELECOM has elevated **Mr Robert J. Richardson** to the board. Dr Richardson is president of Bell Canada Enterprises Inc (BCE), a position he has held since May 1984. Previously he was executive vice-president, a director, and a member of the executive committee of E. I. Du Pont De Nemours and Company, Wilmington, Delaware, 1979.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ



Wilkinson Sword's Bridgend factory: "a total green field approach"

Wilkinson goes on the attack

Robin Reeves on the garden tools company's strategy to raise manufacturing efficiency

FOR MANY years, Wilkinson Sword's answer to inflation was simply to put up its prices. However, it eventually became clear—as the price gap with its competitors became ever wider—that its continued success with its range of garden tools would depend on "eating" inflation in order to keep its price premium at no more than 15 per cent above its rivals.

This policy change demanded new investment and a larger market to justify it and reduce costs; a lower-priced garden tools range to match its competitors was also deemed necessary.

The upshot was a worldwide production and marketing strategy which gave Wilkinson's Bridgend plant in Wales sole responsibility for manufacturing pruners and shears not only under its own name but also that of True Temper, the U.S. brand leader and market label of Wilkinson's U.S. parent, Allegheny International.

A £4m plan to turn Bridgend into "the best pruners and shears factory in the world" was launched in December 1982. The programme was broken down into a series of projects, each with its own leader and target dates and with progress monitored weekly—completion was achieved on schedule at the end of last May.

The programme covered not just the installation of new machinery, but manning levels, working capital, a new physical layout for the factory, asset disposal, improvement of methods, quality control systems, new products, monitoring arrangements and even the changes in ettitudes and working practices required of both management and workforce for its successful implementation.

In the words of Chris Harrison, manufacturing and technical director, who assumed day to day charge of the factory re-organisation. "We adopted a total green field approach. We said forget what is here already. Let'a start with a plain piece of paper and decide what we want the factory to be like at the end."

The results have been atartling. Overheads have been reduced by no less than 30 per cent; unit costs are down by some 15 per cent with the potential for a 25 per cent reduction given the right sales levels; and, in some ways even more remarkable, the space occupied by manufacturing in the factory has been reduced hy balf to 50,000 sq ft, even thongh Bridgend has been geared to produce far larger volumes.

The reorganisation has involved a sharp reduction in both manpower and machinery. As the reorganisation programme was implemented, the number of employees fell—in a series of redundancies—from 269 to 125. Only now are additional permanent staff being taken on again—34 this month—as the factory gears up to work three shifts instead of one, which was the situation under the old regime.

Equally, asset disposal has been substantial. Some 70 machines were identified as surplus to requirements in the wake of e rationalisation of the company's product range.

For years, Bridged had made what the marketing people wanted. But some products were 15 years old in design, produced on machines which ran just one day a month, thus making them expensive to maintain.

"There were products we could simply no longer justify making. Some were redesigned to simplify their manufacture and improve their eppearance. Others were scrapped. The marketing people simply had to accept it," says Kevin Cubbage, managing director of Wilkinson's hardware and houseware division.

A major leap forward in manufacturing methods was achieved by replacing six groups of bevel grinding machines (they put the wedge shape on a cutting hlade) with three German machines whicb do the same work. The acquisition of a single surface grinder replaced six machines and new injection moulding equipment produced a similar improvement.

To cut working capiral, tbe programme target waa to get the flow of materials through the factory down from 12 weeks on average to two weeks, and the Welsh plant ls almost there. As in many Britisb engineering plants, the tradition of storage areas and procedures for booking in and out were deeply entrenched. Yet money tied np in inventories adds aυpreciahly to unit costs.

As it worked out, the cash saved at Bridgend by simply abolishing storage areas and speeding up warebouse distribution procedures hy introducing e 24 bour turnround for orders, was sufficient alone to cover the cost of the investment programme.

At the same time, it was realised early on that if so much material was going to be taken out of the manufacturing system, there had to be e sharp improvement in the reliability of raw material supplies.

In future, quality would heve to be guaranteed by the suppliers. To this end, the suppliers were brought down to Bridgend to bear an explanation of the whole programme and offered every assistance to get their quality control right. This was followed by the introduction of a grading system.

Initially, all 48 suppliers to the factory were given a B grade. But upon the delivery of 10 consecutive consignments conforming 100 per cent to specification, they earned the status of A grade in exchange for a signed undertaking to guarantee quality and a commitment to carry the cost arising from any defects themselves. A further ten perfect deliveries earns the status of Wilkinson Sword "Certified Snpplier" and a silver sword. So far 13 companies have received this designation, but it ls boped that all suppliers should become certificated within the next two years; this will mean that incoming materials will tben only require the occasional quality audit.

In the factory itself, quallty control manuals bave been introduced. listing the checks necessary to ensure that products conform to specification at all stages of manufacture. Each work station also has its own quality monitoring procedures and quality performance charts, vital for maintalning the momentum which the whole programme has generated. Indeed. Cubhage is the first to admit that the successful implementation of the programme would never have been possible but for the involvement and commitment shown hy the workforce, in response to the management's lead.

But be insists that tbe change in ettitude by management was the more important requirement for lts success. Explaining the strategy to the workforce and regular consultations would not have been enough. "We had to provide a radical new lead. We are fortunate that the workforce responded so well."

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Rollover

MY wife and I run a retail bnsiness in partnership, which we intend selling next year. It is our intention to invest part of the capital gain, which should exceed £50,000, in a family property development company. My wife and I hold 52 per cent of the shares in the property company, the remaining 48 per cent being held by our three children.

My question is whether or not we will be able to claim rollover relief on money invested in the development company, or does it have to be invested in a new venture to qualify?

No, you will not be eligible for rollover relief. The amount of tax at stake probably justifies the cost of local professional guidance through the tax maze.

The basic time limit for rollover (where available) runs from a year before the disposal in question to the third anniversary.

Liquidators

I have been connected with two companies (incorporated in England under the Companies Acts 1948-1967) which are now both in liquidation.

In the first company, I was the only holder in this country of 7½ per cent of the non-voting shares; the remaining 92½ per cent were held abroad. Since the first creditors' meeting on January 3 1975 I have received no further communication from the liquidator.

In the second company which went into liquidation December 1982, I was one of several unsecured creditors. Again no communication has been received. What legal rights do I have against both liquidators, and what compensation can I claim against each of them?

You should communicate with the liquidators to apprise them of your claims. In the case of the 1982 liquidation you should submit a proof of debt. You may not have a claim against the liquidators—it will depend whether you can show any loss. If the first company was insolvent you will have suffered no loss; and if your proof is admitted against the second company there will also be no loss.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Investment in Design

Whitehall's helping hand for product innovation

Laser-Scan's flagship production, which had to be re-designed for the North American market

THE NEWS from across the Atlantic was decidedly bad for Laser-Scan Laboratories, a small high technology company on the Cambridge Science Park. A specially-commissioned research study bad confirmed that its flagsbip product possessed an undoubted technical edge, but concluded that it would never sell in the prime U.S. market: it just didn't look good enough. Not only that, but American operators would probably resent continually banging their knees on its awkwardly-shaped console.

Since it received this bombshell two years ago Laser-Scan has drawn on the skills of an industrial designer to help transform the commercial performance and prospects of its product, a £150,000-plus computer-controlled machine called Lasertrak which uses a laser beam to convert maps and other graphics into digital data. Within months of the redesign last year the company landed a key Canadian contract, and it has since well and truly cracked the U.S. market, with two orders from an arm of the Federal Government. Early this year Lasertrak also won a UK Design Council Award.

The turnaround has been no mere matter of snazzy colours, shapes and style—which still seems to be the average manager's idea of the role of industrial design. The work of Warwick Evans, the design consultant employed by Laser-Scan under the auspices of tbe *British Government's Design* Advisory Service Funded Consultancy Scheme, reached far beyond that.

Not only did he suggest ways of making the product more convenient and comfortable to use, but he helped initiate design improvements which simplified manufacture and service. As a result Laser-Scan was able to add a range of extra features to the equipment—including a colour graphics screen, new laser safety features, and flexible layout tables—for only e marginal increase in production cost and no rise in selling price.

Now firmly convinced of the value of consultant designers, the company has retained Evans to work on other projects as part of an in-house team responsible for taking them right from "a blank sheet of paper," as he puts it, to the finished product.

The collaboration between Laser-Scan and Warwick Evans one-man design consultancy is one of 50 projects illustrated in a Design Council exhibition on Investment in Design which opens today at London's Design Centre.

The exhibition is the first public showcase of the work of the Funded Consultancy Scheme, to which the government has committed £20m since its launch just over two years ago. It also offers an unusually valuable insight into the breadth and depth of the design process.

Speaking at the exhibition launch last night, Norman Tebbit, Secretary of State for Trade and Industry, welcomed the impact of the scheme, but warned that the Government should not "for ever subsidise firms to do what is in their own interest."

In terms of the advantages to be gained by involving industrial designers at a very early stage in the development process, and by allowing them influence well beyond colour, shape and style, Laser-Scan's experience is paralleled by several other projects on display. These include: test equipment for Monsanto (designed by TST Associates); a battery charger for Stellar Components (designed by David Harman-Powell); an uplighter—a lamp which throws light upwards—worthy of the Italian lighting industry for Best and Lloyd (by Fether and Partners); and microwave cookware for Thorpac (by Pentagram).

Many of the companies represented et the exhibition are small, reflecting the fact that almost three-quarters of the 1,050 projects so far completed under the schemes have been carried out by companies with less than 200 employees. But the beneficiaries also include companies such as Thorn-EMI, Pirelli, TI and Avery (part of GEC), as well as Monsanto.

A large proportion of the consultancies represented is also small: from Warwick Evans' one-man band to several groups of less than 20. But work by "majors" such as Conran Associates, DCA, Cambridge Consultants, Lotus Cars and Ingersoll Engineers, is also included, in addition to Pentagram's.

One of the prime purposes of the Funded Consultancy Scheme which is administered by the Design Council as part of its long-standing Design Advisory Service, has been to introduce industrial design consultancy to clients which have never used it before—hence, in part, the particular emphasis on small firms. According to the council's own research, this objective is being met: 60 per cent of the near-2,000 companies so far visited under the scheme have never used a design consultant before.

The service offers support for design projects lasting up to 15 person-days, of which the first two days consultancy are provided free; the client company contributes 25 per cent of the cost for the remaining work. Companies can follow this up with a second project, for which they have to pay half the cost. The average level of public funding per company under the scheme so far has been £4,000.

Christopher Lorenz

UK COMPANY NEWS

Fisons' strategy underlined by 69% advance

Fison's strategy over the past four years has been underlined with a 69 per cent jump in profits for the first half of 1984, says Mr J. S. Kerridge, chairman and chief executive.

He adds that in the light of the group's progress, with taxable profits up from £13.4m to £22.6m, shareholders will receive a 20 per cent boost to 1.8p net per share in the interim dividend.

The increased payout is covered five times by stated earnings per share some 3.2p higher at 9.2p. Comparable dividends and earnings for 1983 have been adjusted for a four-for-one share split.

Group turnover advanced to £252.8m compared with £204.8m, of which £56.5m was attributed to discontinued agricultural activities.

In calendar 1983, group profits rose by £10.1m to a record £31.2m on sales £14.9m ahead at £365.4m.

Over the past four years Fisons has made a number of acquisitions in the horticulture, pharmaceutical and scientific equipment fields and has disposed of its fertiliser business and its half share in FBC, engaged in agrochemicals.

Commenting on the first half, Mr Kerridge says "this continued progress derives from the successful implementation of the group's declared strategy, which is to operate in inherently attractive growth markets where Fisons can be internationally competitive."

Within this framework, action has been taken to lower costs and increase marketing effectiveness, he adds and points out that organic growth achieved has been augmented, as the second aspect of the strategy, by acquisitions "which are proving their worth."

Pharmaceutical operations increased profits by 24 per cent to £15.4m, with growth in their major markets. Progress in the world's two biggest markets, the U.S. and Japan, has been particularly encouraging, including the successful launch of Opticrom in Japan earlier this year. In Europe, significant progress has also been made in major markets.

Fisons' acquisition of a Spanish company, which trades as Laboratorios Casen, has added to the network of pharmaceutical subsidiaries in important European markets, Mr Kerridge says.

The generic businesses operated in a number of major territories, are developing satisfactorily and showing growth in both sales and profits.

Profits from scientific equipment operations advanced from £2.4m to £7.1m on turnover ahead by £77.6m at £124.6m.

The acquisition six months ago of Curtin Matheson Scientific Inc (CMS) in the U.S. has met the group's expectations both in profit and strategic terms. While the contribution of CMS was the largest single factor in the division's leap in profit, the other businesses achieved a 30 per cent increase, "underlining the competitive strength derived from restructuring moves and new investment," says Mr Kerridge.

General laboratory sales in the UK increased, although sales to the education market were held back as a result of public expenditure restrictions. MSE, the UK based centrifuge and instrument company, continued to perform well, as did Haake, a West German specialist instrument manufacturer. Progress was also achieved at the Australian company, FSE Scientific.

For the group as a whole, earnings from overseas sales were helped by the general weakness of sterling, particularly against the U.S. dollar. On the other hand, as the group's borrowings are mainly in North America and Australia, being related to acquisitions, currency movements impacted adversely on finance charges. The net effect of these factors on profit before tax was a positive contribution of £0.7m.

The horticulture division benefitted from good Spring weather, tighter cost control, and more effective marketing.

In North America, the acquisition of Langley Peat in Alberta provided a more competitive operation from which to sell to the West Coast market and, with stronger U.S. consumer demand, the commodity peat business improved. The test marketing of other consumer gardening products has given encouraging results and will be extended this year to California.

Tax payable for the first half amounted to £4.9m (£3m). After minorities the amount available for distribution was £17.4m (£10.1m).

See Lex

ACQUISITIONS AND DISPOSALS SINCE 1982

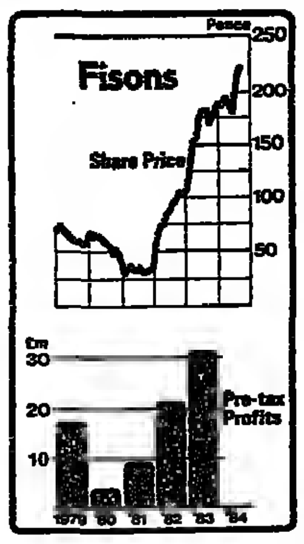
ACQUISITIONS

Date	Company	Country	Activity	Consideration
January 1982	Fisons Western Corporation	Canada	horticulture	C$21.0m
February 1982	Morgal Scientific	Singapore	scientific equipment	£0.2m
September 1982	Watson Victor	Australia	scientific equipment	£2.8m
September 1982	Orbit Chemicals	Australia	pharmaceuticals	£1.0m
April 1983	Intersint	Italy	pharmaceuticals	£1.3m
May 1983	Weddel	UK	pharmaceuticals	£2.3m
January 1984	Langley Peat	Canada	horticulture	C$9.5m
February 1984	Curtin Matheson	U.S.	scientific equipment	U.S.$50m
February 1984	Temana Bees	UK	horticulture	£1.35m
April 1984	United Diagnostics	U.S.	scientific equipment	U.S.$2.5m
April 1984	Roncales	Spain	pharmaceuticals	£1.6m

DISPOSALS

February 1982: Fertilisers division sold to Norsk Hydro for £50m.

July 1984: FBC agrochemicals sold to Schering for £60m.



Brent Chemicals eyes up acquisitions

Brent Chemicals International is very near to completing an acquisition in the U.S., revealed Mr Bill Cross, chairman, commenting on yesterday's interim statement showing an advance from £1.91m to £2.25m in taxable profits. The company manufactures industrial chemicals.

In addition to the U.S. purchase Mr Cross said: "We are looking at other acquisitions. Traditionally we keep a shopping list and we are endeavouring to sharpen that up.

"Geographically we are keen on the UK, Germany, the U.S. and possibly France," he added.

While he was reluctant to discuss Brent's share holding in W Canning, he said: "We have had this holding of just under 5 per cent for more than two months. There are no immediate plans, this is simply a trade investment."

On Monday, W Canning reported its results for the first half of 1984-85. Pre-tax profits advanced from £753,000 to £1.11m.

Brent's U.S. acquisition is likely to be announced within the next seven days. The company concerned is a subsidiary of a U.S. conglomerate and is engaged in chemical supplies for the aviation and printed circuit board industries.

It is based in Southern California, makes profits of around $550,000 per annum, and will double Brent's current exposure in the U.S.

Brent sold two U.S. offshoots this summer. They contributed $250,000 to profits for both this and the comparable interim period.

Mr Cross added that Brent's cash position was strong. The group holds $6m cash in the U.S. arising from the two disposals after debt repayments.

Turnover for the period amounted to £27.88m, against £27.73m, and operating profits rose from £2.12m to £2.49m. Interest charges amounted to £231,000 (£200,000).

Stated earnings per share rose by 0.9p to 3.5p and the interim dividend is being lifted to 0.75p (0.6p).

After tax of £787,000 (£817,000), minorities of £43,000 (£59,000), the amount available for distribution emerged at £1.42m (£1.04m)—there was an extraordinary debit of £290,000 last time.

Pre-tax profits in 1983 totalled £4.05m on turnover of £55.14m.

● comment

Any attempt by Brent to quietly stalk W. Canning has been totally blown by the later's careful scrutiny of its share register. Having spotted, and announced, a 2 per cent holding by Brent last month, Canning was loudly proclaiming on Monday that Brent was close to 5 per cent. A "trade investment" is how po-faced Brent directors describe their stake but that description rings slightly hollow. The last trade investment by Brent was more than six years ago and this is the first time it has ventured to buy a holding in another quoted company. Though Brent has a clean balance sheet with around $3m of cash left after the West Coast purchase to be announced, Canning's suggestion that Brent has left it too late to mount a bid looks like a fair reading of the barometer. Canning's announcements have pushed the share price up and Brent's market capitalisation is now only twice that of Canning. It all rather stole the thunder of Brent's interim figures yesterday and its plan to expand in the U.S. by acquisition. The half time profits were in line with most expectations and the year looks on course for £5m pre-tax. On a 35 per cent tax rate a prospective p/e of 12 at 96p is not obviously cheap.

Pritchard tops £7m with N. America the major contributor

THE Pritchard Services Group, which has been busy on the acquisition front over the past 16 months or so, raised its profits before tax from a restated £6.24m to £7.23m in the 26 weeks ended July 1, 1984.

The major contribution to the performance came from North America which now provides 40 per cent of group operating profits.

In the second half, very competitive conditions are likely to remain in many group markets. However, Pritchard's prospects remain "good" although the directors say the current level of interest rates is unwelcome.

Turnover for the first half improved from £160.01m to £192.14m and operating profits by £1.2m to £9.63m — the group has interests in building, cleaning and maintenance, food services, hospital health care services and security services.

Stated earnings advanced from 3.54p to 4.26p per 25p share and the interim dividend is being increased by 0.1p to 1.1p on the enlarged share capital.

Operating profits were subject to interest of £2.35m (£2.19m). Tax accounted for £2.19m (£2.45m) and minorities £250,000 (£272,000).

Extraordinary costs of £458,000 were incurred, representing closure and related costs in respect of an overseas operation of the Spring Grove group and other reorganisation costs.

An additional provision for deferred tax will be included in the year end accounts to reflect the changes in the basis of tax contained in the 1984 Finance Act. This will be reported as an extraordinary item. The additional provision is anticipated to be around £5m.

The Australian division is meeting its objectives, the European companies generally show improvement over last year and the Middle East operations are all performing satisfactorily.

Substantial new contracts have been won by the hospital support services division where profits are improving after the slowdown in 1983.

In the UK and Ireland, profits are satisfactory, although competitive pressures have eroded margins in some activities. Domestic services contracts in the NHS hospitals are being actively pursued and despite intense competition, major new contracts have been gained.

Pritchard bought the Spring Grove textile rental group in September last year and has since then, among others, acquired several businesses in the U.S., including food services company Food Concepts.

For the year to January 1 1984 the group pushed its turnover up from £296.04m to £324.63m on which it achieved record pre-tax profits of £12.77m, compared with £12.53m.

In the U.S. market penetration was achieved in the provision of ancillary services to hospitals by gaining 40 new hospital contracts.

On the outlook the directors expected 1984 to show a "healthy" profit increase. They also foresaw good growth from the trading divisions with North America, in particular, taking its place as a major profit contributor.

● comment

Pritchard Services chiefly owes its 17 per cent pre-tax profits advance to a more-than-doubled contribution from North America, which now accounts for just under £3.5m, or 40 per cent of the subsidiaries' operating profits. Building maintenance is responding to its earlier reorganisation, while hospital contracts are growing strongly in an underdeveloped market. Home health care put in only a minimal contribution, still burdened by hefty development costs. That operation's capital needs underline the logic of a separate flotation, yet Pritchard has put that possibility on a back burner until the health care sector wins more favour in Wall Street. The borrowings needed to finance the $17.4m acquisition of Food Concepts and Automatic Catering leave Pritchard uncomfortably exposed to U.S. interest rates and the dollar's strength—a situation which should improve as home health care profits begin to make more impact. Group profits should reach at least £15m pre-tax this year, leaving the shares, up 1p to 109p, on a prospective multiple of 11.6, assuming a 26 per cent tax charge.

INDEX TO COMPANY HIGHLIGHTS

Confidence at Rothmans

Sir David Nicolson, the chairman of Rothmans International, tobacco and luxury consumer products group, told the annual meeting he was confident that the company's international brands, coupled with its spread of interests, would ensure continued growth.

While the group continued to investigate possibilities for expanding its interests in other areas, tobacco was the mainstay of the business. Opportunities for the marketing of the company's brands in a number of new areas, through local joint venture agreements, were being actively pursued.

During the current year, conditions in the worldwide tobacco business continued to be difficult. Sir David said penal rates of tax on tobacco products resulted in consumer resistance because of high prices. This led to aggressive price competition which inevitably affected profitability.

However, the company's interests in luxury consumer goods continued to make further progress.

In the 12 months to March 31 1984 the group made pre-tax profits of £151.2m (£130.5m), on turnover of £1.51bn (£1.35bn).

Brixton Est. £0.7m higher and interim up

Investment profits of Brixton Estate, property development and investment group, rose by 12.7 per cent to £4.2m for the six months to June 30, 1984. Including this time £226,000 from dealing, pre-tax figures were up from £3.73m to £4.43m.

Net rental income increased from £7.25m to £8.18m, with other income unchanged at £13,000. Interest on developed properties took £3.03m (£2.86m) and administration costs accounted for £957,000 (£867,000).

The net interim dividend is raised by 10.5 per cent from 1.9p to 2.1p per 25p share, absorbing £1.72m (£1.52m)—last year's total was 4.6p on £8.3m profits.

Mr Harry Axton, the chairman, says that from the number of lettings achieved so far this year, it is apparent that there has been a substantial improvement in the industrial and commercial letting market. However, the continuation of this is dependent on the current worldwide economic recovery being maintained.

A number of new opportunities are under consideration.

Reporting on developments, the chairman says that in the UK good progress has been made with lettings on the 100 acre Woodside Estate at Dunstable. A 50,000 sq ft warehouse has been let to Marks and Spencer, a 30,000 sq ft warehouse to Bario Products and two factory units totalling 98,000 sq ft have been let to TRW Cam Gears. In respect of which planning consent has been obtained for an additional 9,000 sq ft of offices.

On the nearby 25 acre Woodside Park work has started on the roads. Later this year, construction will commence on the first phase of 121,000 sq ft, which will provide individual buildings in landscaped plots to meet the current requirements of modern industrial occupiers.

BOARD MEETINGS

TODAY

Interims: Barrow Hepburn, Biomechanica International, Britannia Arrow, Cakebread Robey, Coats Patons, Cooper Industries, John Folkes Hefo, Jebsens Drilling, Jones and Shipman, Juliana's, Liverpool Daily Post and Echo, Hugh Mackay, Moben, Newman Industries, Owen Owen, Rio Tinto-Zinc, E. T. Sutherland.

Finals: Armstrong Equipment, Protimeter, Trafford Park Estates.

FUTURE DATES

Interims—	
Advance Services	Oct 11
Dataserve Inc.	Oct 3
Freemans	Sept 24
London Atlantic Invest. Trust	Oct 18
Miles 33	Sept 20
Northern Engineering Industs.	Sept 25
Richards (Leicester)	Oct 3
Sandhurst Marketing	Sept 27
Spectra-Automotive and Engineering Products	Sept 27
Svenska Cellulosa Aktiebolaget Sca	Oct 10
Wingate Property Investments	Sept 26
Finals—	
Elders IXL	Oct 1
Home Farm Products	Sept 27
Mountleigh	Sept 28
Scottish Metrop. Property	Oct 5

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Barratt Developments	5.31	—	5.31	7.62	7.41*
Brent Chemicals ... int	0.75	Nov 28	0.6	—	2.8
Brixton Estate ... int	2.1	Nov 3	1.9	—	4.6
Consld. Gold Fields	16	Nov 19	16	24.5	24.5
Deborah Services‖	3.34	—	3.08	4.55	4.24
Fisons ... int	1.8	Jan 2	1.5†	—	3.75†
Garton Engrg. ... int	1	Dec 3	1	—	2.5
House of Fraser ... int	2.75	Dec 7	2.5	—	8.5
Intereurope Tech‡	3.29	—	2.8	4.83	4.2
Manson Finance Trust	0.5†	Nov 8	0.5	1	1
Bernard Matthews ... int	2.5	Nov 2	2.5	—	6.5
Pittard Group ... int	1.65	Jan 2	1.38	—	4.53
Pritchard Services ... int	1.1	—	1	—	3.5†
George H. Scholes	13	—	12	18	17
Stag Furniture ... int	1.75	Nov 26	1.75	—	5.25
Alfred Walker	0.75	—	0.75	0.75	0.75

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Equivalent after subdivision of shares. ‖ Traded over-the-counter.

The Randfontein Estates Gold Mining Company, Witwatersrand, Limited

(Incorporated in the Republic of South Africa)

Company announcement

Exploration joint venture

Shareholders will be aware that the company, as indicated in its annual reports, has been engaged in a joint venture with Johannesburg Consolidated Investment Company, Limited (JCI) to prospect for gold in selected areas of the Transvaal and Orange Free State.

Over the past two years an intensive drilling programme has been conducted over two farms in the Theunissen district, some 17 kilometres south of Virginia, adjoining the eastern boundary of the Beatrix Gold Mine. To date, ten holes have been drilled, five are in progress, and a further three are planned. The programme is expected to be completed by the end of December 1984.

On the basis of results to date, it is likely that a mine could be established at relatively shallow depth, with a life of approximately twenty years.

The company holds a 45% interest in the joint venture arrangement associated with this particular property. The other participants are JCI with 45% and Anglo American Corporation of S.A. Limited with 10%.

Johannesburg

18 September 1984

Johannesburg Consolidated Investment Company, Limited

(Incorporated in the Republic of South Africa)

Extracts from the Chairman's Review by Mr. G. H. Waddell.

The Group earned profits after taxation attributable to ordinary shareholders of R123,7m during the year to June 30 1984. These are the highest yet achieved and were R21m or 20,4 per cent above those earned in the previous year. Earnings per share were 1686 cents and as both the interim and final dividends were raised by 50 cents per share, dividends paid in the aggregate amounted to 750 cents per share, an increase of 100 cents or 15,4 per cent on the 650 cents paid in the year to June 30 1983.

Gold

The average price of gold for the year ended June 30 1984 in dollar terms of $389 per ounce was 8,5 per cent below the average price received in the year to June 30 1983 of $425 per ounce. That lower average dollar price was in fact almost completely offset by a further depreciation in the rand against the dollar and as a result the average price in rand received by the gold mines only fell marginally to R15 075 per kilogram from the R15 162 per kilogram received in 1983.

Due to increased dividends from Randfontein and Western Areas and to the significantly larger interest in the former now held by Johnnies, dividend income to the Group from gold rose by just over R13m to R30,5m and thus provided 22,0 per cent (1983: 14,2 per cent) of the Group's income.

In the last year or two, a syndicate in which the Anglo American Corporation of South Africa Limited has a 10 per cent interest with the balance held equally by Johnnies and Randfontein, has conducted an intensive drilling programme on two farms some 17 kilometers south of Virginia and adjoining the eastern boundary of Beatrix Gold Mine. On the basis of the results to date, it seems likely that a mine will be established at a relatively shallow depth with a life of some twenty years. Such a new mine would, of course, be an exciting development for both Johnnies and Randfontein.

Diamonds

The Group's major interests in the diamond industry are in various unlisted diamond trading companies of the Central Selling Organisation though the Group also has a small interest in De Beers Consolidated Mines Limited. The dividends received from these interests were lower by R2,4m or 14,5 per cent at R14,1m (1983: R16,5m) and were also lower as a proportion of the overall income of the Group at 10,1 per cent (1983: 13,8 per cent).

Platinum

For its year to June 30 1984, the net operating profit, before provisions, of Rustenburg Platinum Holdings Limited rose to R233,4m from the R151,2m earned in the ten months to June 30 1983. Earnings per share increased by 31,8 per cent to 79,9 cents per share from the comparable annualised figure for 1983 of 60,6 cents. Rustenburg increased both its interim and final dividends by 5 cents per share and 10 cents per share respectively. Johnnies dividend income from platinum therefore rose during the year under review by R6m or by 41,6 per cent to R20,4m (1983: R14,4m) where it constituted 14,7 per cent (1983: 12,0 per cent) of the Group's income.

Precious metals are unlikely to have the appeal they had in the past for investors and speculators until the real rates of interest decline in the United States of America or the value of the dollar falls in relation to other currencies or until the demand for their genuine usage causes an increase in price. Insofar as the latter possibility is concerned, platinum is relatively well-placed because of its wide-spread industrial use.

The possibility came closer to reality during the year that platinum group metals will be used on catalytic devices fitted to automobiles throughout Western Europe.

Base metals

Consolidated Murchison Limited, in which the Group has a 24,7 per cent interest, is a leading producer of antimony in the Western World and also produces gold. During the year to December 31 1983 the profits after taxation improved significantly by R4,7m to R5,9m (1982: R1,2m). These better results enabled the company to resume the payment of dividends and in the aggregate dividends of 100 cents per share were paid in respect of that financial year.

Coal

Tavistock's profit after taxation attributable in the Group fell by 25,1 per cent or R4,0m to R11,9m (1983: R15,9m). As such it constituted only 8,5 per cent of the Group's income compared to 13,2 per cent in the previous year. Whilst not unexpected the decline both in the level of profit and as a proportion of Group income is disappointing and it will be important when it proves possible to halt and indeed reverse it. The Management of Tavistock hopes to achieve at least the former during the current year.

Industry

It was a far from easy year for industrial companies nor unfortunately is it likely to get better—indeed it is more likely to get worse in the immediate future as a result of the historically high interest rates which currently prevail and the stricter conditions which have recently been imposed on hire purchase. The Group's industrial interests which include substantial portfolio investments indirectly in The South African Breweries through the Premier Group and in the latter group itself, Argus Printing and Publishing Company Limited and Toyota South Africa Limited together with Lennings Limited, which the Group manages, will as a result, find the going tough and indeed it will be a more than creditable performance to match their recent results until trading conditions improve. In the event, the contribution of the Group's industrial interests during the year amounted to R27,5m which was R2,5m higher than during the previous year and as such was superior to that of many others.

Prospects

On July 1 1983 the value of the rand was 91,58 cents U.S. and on June 30 1984 it had fallen to 73,70 cents U.S. It fell sharply further in July and as I write it stands at 60,5 cents. That is a weakening of no less than 33,9 per cent in the short period of fourteen months. In case this should be viewed as a short and bitter aberration, it should be borne in mind that since the early 1970s the price of gold has increased ten-fold and the value of the rand has more than halved. There is clearly something sorely amiss for that to have happened and whilst the drought has certainly in the last year or two been a serious adverse impact, it cannot be proferred as an excuse for the performance of the last ten to twelve years.

The cause, in fact, lies elsewhere and is simply inflation. That, of course, is accepted by Government and whilst the correct diagnosis has been made, Government has been loath to do other than to condemn it in speech whilst at the same time being itself's prime cause of it. For years it has exhorted all and sundry to forego consumption and save, to exercise a self-discipline which it has singularly failed to practise itself.

The result is that our inflation has remained in double figures when the prevailing rate in the economies of our major trading partners is now on the average below 5 per cent. Worse still, our rate of inflation is likely to rise both because of the recent depreciation in the rand and the fact that throughout 1983, the growth in money supply—despite a deficit on the balance of payments—was substantially in excess of the rate of inflation. In short the Government must put its own house in order.

It is likely to be a very difficult year indeed, but it may be tempered in the case of Johnnies by the fact that most of the companies in which the Group is invested are extremely well-managed and by a further improvement both in demand and in the prices, at least in rand, received for most of the metals and minerals exported by the Group to the United States of America, in Japan and in Western Europe, if their economic recoveries continue.

I would hope that the Group's pretax profits will again increase, but *Johnnies itself has now reached the point where it has fully* utilized the tax losses previously available to it and as a result will have to do better to be able to declare the same level of profit after taxation as the Group earned this year, but unless some further significant adverse change occurs, the Group should come close to achieving that.

Johannesburg 7 September 1984

Copies of the Annual Report are available from the London Secretaries: Barnato Brothers Limited, 99, Bishopsgate, London EC2M 3XE.

The Annual General Meeting of the Company will be held in Johannesburg on 24 October 1984 at 12 noon.

UK COMPANY NEWS

Lonrho pursues battle for undecided Fraser holders

BY RAY MAUGHAN

Lonrho, which has a 29.9 per cent stake in House of Fraser, yesterday pursued the battle for the hearts, minds and proxies of Fraser's uncommitted shareholders ahead of the annual meeting on September 28, as the department stores group unveiled a 73 per cent leap in interim profits.

Lonrho is urging Fraser's shareholders to vote against the re-election of the chairman, Professor Roland Smith and Mr Ernest Sharp, a non-executive director. Instead, shareholders are exhorted to support the re-appointment of Mr Roland "Tiny" Rowland, Lonrho's chief executive, and the appointment to the Fraser board of two other Lonrho directors, Mr Terry Robinson and Mr Paul Spicer.

Lonrho itself is not permitted to vote its own stake against Professor Smith until the current *Monopolies Commission* report into the acrimonious dispute between the two companies is completed in November. Uotil that time, Lonrho is also asking Fraser's shareholders to support a resolution instructing the Fraser board oot to act so as to prejudice the issue of the demerger of Harrods.

Explaining his wish to remove Professor Smith and Mr Sharp, the Lonrho chief executive says that "since the removal of Sir Hugh Fraser (the former chairman), the conduct and practices of the board have been altered by the new chairman (Professor Smith). The board is now a rubber stamp for decisions made in advance by the chairman's committee."

"I believe," Mr Rowlands adds, "ebsed on business experience that these decisions have not brought, and are not going to bring, profitable growth to House of Fraser. Nevertheless, they are decisions involving tens of millions of ponnds."

An accompanying letter from Mr Edward du Cann, Lonrho's deputy chairman, states that since Sir Hugh resigned in January 1981, "the directors of Fraser who also sit on the Lonrho board, though they are successful and experteoced meo representing e 30 per ceot interest, have been disregarded in the management of Fraser.

Mr du Cann's letter is, in turn, accompanied hy a letter from Mr Jack Haywood, a large personal shareholder in Fraser, to Professor Smith recording the circumstances of a remark purported to have been made by S. G. Warburg, the merchant banking advisor to the departmetn stores group.

According to Mr Haywood the Warburg director, Lord Germoyle, is supposed to baev said that "Fraser's hoard would rather see the company destroy itself than come to any sort of accommodation with Lonrho."

Mr Haywood's remarks have already been recorded in Lonrho's recent report on the Department of Trade inspector's own investigation into House of Fraser ownership. That report contained a letter from Lord Garmoyle to Mr Haywood's advisor saying that I do not believe that I have ever made any statement that could be construed in this way. Much more importantly, however, I do not believe nor bave I ever believed that this is true."

Mr du Cann merely adds in this latest letter to Fraser shareholders that Lord Garmoyle "has unconvincinlgy denied making this remark. Surely the time bas come," Mr du Cann continues, "for some reformation of the board, which is unduly dependant on outside advice and is simply not producing results which bear comparison with those of competitors, notwithstanding the vast base of the company."

Professor Smith said yesterday that he was "surprised and appalled that Lonrho has used personal correspoodence in this way."

But be was more concerned to identify the heneficial ownership of 1m Fraser shares held in Swiss nominee accounts, and the ownership of a further 2m shares now coming out of SEPON, the Stock Exchange settlement system, which are also held in nominee names.

FRASER PROFITS JUMP 73%

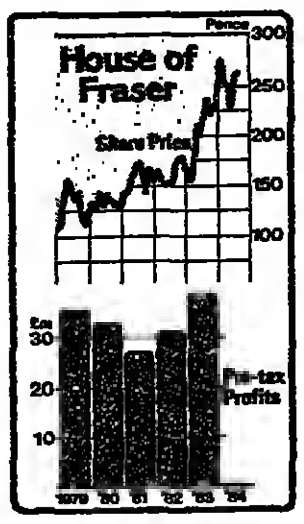
House of Fraser pre-tax profits jumped by 73 per cent to £7.43m in the 26 weeks to July 28, 1984, against a restated £4.29m last time. Turnover, excluding VAT, was up by some 11 per cent from £346.74m to £384.81m.

With earnings per 25p share douhled at 2.6p, the interim dividend is increased by 0.25p to 2.75p net. Last year, a total of 8.5p was paid on £38.76m taxable profits.

Professor Roland Smith, the chairman, says the half year figures reflect the benefits of the gradual implementation of the group's thoroughly researched trading strategy and the planned refurbishment of its major stores.

Trading performance was especially strong in the London stores, partly based upon the attraction of London for overseas tourists. Harrods' profits were excellent, says Professor Smith, benefitting from over £8m invested in the Knightsbridge store

The new stores in Perth and Epsom have both performed *according* to plan. However, sales in several of the group's stores located in the North of England and Scotland have been adversely affected by the miners' strike.



All group profits were derived fro mretail trading. Comparative interim figures have been restated to exclude the surplus on sale of properties less closure costs.

See Lex

Research costs soar at Comtech but losses are well down

THE MOST significant feature of the quarterly results aooounced by Combined Technologies Corporatioo (Comtecb) is the £998,000 for resaarch costs for the three montha to Jone 30, 1984. In the corresponding period last year, the sum involved was £407,000.

Losses on ordinary activities were greatly reduced from £361,000 to £67,000. This was made possible with profit after interest up from £681,000 to £931,000 from the commercial division, and the gain of £1.01m arising from the Mnemos rights issue.

Comtech is a leader in the gfeld of high technologies and intends to create or participate in the creetion of new, marketable products based o nadvaoces in technology. The group says that when a particularly promising new prodnct is identified, a new company iwth its own management will be formed.

Mr James Longcroft, the chairmanfi, commenting oo the two more advanced technology ventures, states: "Recent months have seen the oew executive team t Laserstore begin to make a significant impact." He says his confidence is high thet Laserstore is a veoture of really major potential.

Laserstore provides cheap memories for micro, mini and large-scale computers nsing techniques not yet attempted in the industry.

Of the second venture, Plasmon Data Systems, Mr Loogcroft says it is the hoard's belief that the unique PDS approach offers the most promising optical disc media in the world. Plasmon has been formed to exploit a new meterial for use on optical discs.

On Mnemos, in wbich Comtecb retains a 63 per cent stake, Mr Longcroft says: "Overall, while it still eppears premeture to forecast precisely when Mnemos will secure its first mejor order, we remain as confident as at any time in the company's development that the product is superior in price/performance terms, to others that might be offered as competiticn in its chosen market."

In the commercial divisioo, results from the automotive group showed a useful improvement with profits increasing from £767,000 to £822,000.

Group turnover, which represents the invoiced amount of goods sold aod services provided during the period, net of VAT, improved from £51.6m to £53.73m. There was an operating loss of £1.9m compared with £202,000. Interest payable was down from £655,000 to £424,000, leaving a loss before minority interests of £1.61m (£857,000). The stated loss per 10p share was 0.1p (0.5p).

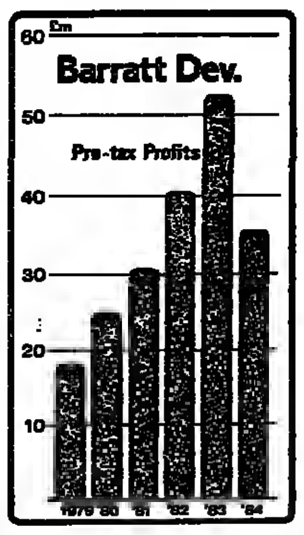
● comment

Apart from the encouraging start from the small commercial division there is nothing in these latest results to change the view that Comtech is still a highly speculative investment with a lot of upside potential if just one of its three hi-tech products comes up trumps. The problem, of course, is that hi-tech pots of gold cost a mint to find, as the company's £20m expenditure on product development to date shows. Give nthe nature of product life cycles, much depends on what happens at Mnemos, which is out of the development phase hut still looking for a significant order. Here, time is of the esseoce because the project could well run out of funds hy next March, at which point a halt has to be called or re-finaneing has to take place at the expense of more equity. This all has a bearing, too, on the future of Meta and Theta; with money still oeeding to be spent on their development, the group might well have to look for new money here, too. Meanwhile the investor has to walk the tightrope. With the commercial division accounting for around 15p worth of the 19p share price, there is not too far to fall.

Company Notices

UK COMPANIES

Barratt Developments blames £15m fall on 'adverse publicity'



PROFITS BEFORE tax of Barratt Developments, Britain's biggest house builder, plunged to £35.6m over the 12 months ended June 30, 1984, a fall of some £14.7m on the restated figures of the previous year.

Sir Lawrie Barratt, group chairman, blames the disappointing results on reduced volumes in the UK private housing sector, brought about by "unjustified adverse publicity."

He tells shareholders that good progress was made in the U.S. with increased volumes. Although profitability there remains low, it is "steadily improving."

Group turnover for the year improved from £512.6m to £537.6m. Tax accounted for £6.8m, against a previous £18.1m, to leave net profits down by £3.2m at £29m.

Sir Lawrie comments that major action has been taken to improve the cost effectiveness of the group. This is continuing and new designs and constantly improving specifications "ensure that the group remains in the forefront" of the industry. The underlying strength of the group gives "great confidence" in the medium and longer term future.

Increased investment in leisure property activities has been well justified by the "excellent" progress made in the division.

The group's investment property activities made some progress, but in line with this sector generally were affected by a difficult lettings market.

Interest payable in the U.S. was written off during 1983/84 in accordance with the group's UK accounting policy. Formerly, following normal American accounting practice, interest relating to work in progress was added to cost.

This change has had the effect of reducing pre-tax profits for the year to June 30, 1983 from £52.2m to £50.3m.

Group pre-tax profits for the opening six months of the year under review were down by £1.68m to £16.06m. Sir Lawrie said in his interim report that the number of legal completions at 7,700 showed a small decline in the UK but an increase in the U.S. compared with the corresponding period of the previous year.

Barratt Development's selling techniques to first-time buyers were criticised in June on Granada Television's World in Action programme. These criticisms were strongly refuted by Sir Lawrie.

At end-June 1984 the group had current assets of £437.9m (£379.6m), including stocks £372.9m (£284.7m) and bank deposits £10.8m (£56.8m). Net current assets totalled £203.7m (£202.3m), with creditors due within one year accounting for £234.2m (£177.3m).

Group shareholders' funds amounted to £239.7m (£228.7m) and net assets per share 135p (129p).

See Lex

Intereurope Technology up £0.5m: full listing

AT THE same time as reporting a sharp increase in 1983-84 profits, Intereurope Technology Services, the USM quoted high technology equipment and systems group, has announced that it has applied for a full listing.

Pre-tax profits for the year to June 30 1984 climbed from £873,000 to £1.35m, on higher turnover of £7.75m (£6.12m). All activities, with the exception of print, performed well and the company enters the current year with a record order book.

Gross profits increased from £2.42m to £3.19m, before administration expenses of £1.93m (£1.61m) and interest receivable and similar income of £88,000 (£68,000). Tax took £579,000 (£409,000) and last year there was also an extraordinary loss of £84,000.

Earnings per 20p share advanced from 9.28p to 15.38p and the final dividend is raised to 3.29p (2.8p) net for a total payment up from 4.2p to 4.83p per share.

The directors report that technical documentation showed a turnover rise of approximately 18 per cent and is still substantially the major activity of the group. As in the previous year, the value of commercial contracts received continued to expand with some notable successes.

The print operation still primarily serves the needs of the technical documentation activity and although its turnover has expanded by around 12 per cent, the margins on some outside work have been minimal resulting in a substantial decrease in profits.

Software design and documentation has again fulfilled the promise of previous years with an increase in turnover.

● **comment**

For how much longer can Intereurope keep it up? This is the group's tenth year of clear profits growth, a record which owes something to the growing share—currently 75 per cent of turnover—of recurring contracts based on post-development work on older products. The market itself is also expanding as new technologies become so complex that major contractors find it more cost-effective to farm out their entire technical documentation work to specialists. Intereurope's most recent contract, for Fokker 127-128 civilian aircraft, worth £1.25m to revenues over the next two years, is a prime example, and can be expected to lead to further business as the series is updated. Meanwhile, higher margin software development continues to increase in importance, so that it now accounts for 13 per cent of sales. If European markets do begin to get tight, there is always the prospect of approaching the U.S., but that would probably necessitate an acquisition, if only because a UK company would find it hard to break into the U.S. defence industry on its own. Around £1.65m pre-tax looks in reach this time, leaving the shares, up 10p to 315p, on a fair multiple of 15.7, assuming a 40 per cent tax charge.

MINING NEWS

Gold Fields recovers to £105m with Amey's help

BY GEORGE MILLING-STANLEY

AN IMPROVEMENT at the building materials operations of Amey Roadstone, both in the UK and U.S., coupled with the elimination of losses by the non-natural resources interests in the U.S., helped Consolidated Gold Fields to an increase in profits for the year to June 30.

Attributable profits for the period were 25 per cent higher at £71.5m, and the final dividend is maintained at 16p to give an unchanged total for the year of 24.5p. Earnings advanced from 30.5p to 38.2p.

The contribution of the group's mining interests to operating profit fell by 13 per cent to £82.4m, with lower income from the 48 per cent holding in Gold Fields of South Africa, the direct holdings in the Driefontein Consolidated and Kloof gold mines, Newmont in the U.S. and Renison Goldfields Consolidated in Australia.

Mr Rudolph Agnew, chairman, pointed out that the lower contribution from mining mirrored the problems of the industry wortdwide. The lower revenue from gold was not due to a decline in the gold price, he said, as the price in rand terms was broadly unchanged, while in sterling it was higher.

The decline was attributable to the increase in operating costs and to the absence this time of share dealing profits from GFSA's portfolio of gold mining interests.

	1984 £m	1983 £m
Share of GFSA	45.8	51.2
Divs from gold mines	23.8	25.1
Share of Newmont	8.4	8.7
Share of Renison	2.1	3.3
Other mining	4.5	8.8
Amey Roadstone	43.8	40.3
ARC America	11.1	6.2
Other industrial ops	13.6	13.6
Realisation of invests (net of charges)	8.4	6.9
Operating profit	154.3	138.0
Explorat'n expenditure	13.7	13.6
Tax making	140.6	124.4
Net interest charge	35.6	34.7
Profit before tax	105.0	89.7
Tax	33.4	32.5
Net profit	71.6	57.2
Minorities	0.1	0.2
Attributable	71.5	57.0
Extraord charge	—	87.0
Dividends	45.8	45.8
Retained profits	25.8	75.8

Mr Agnew said that the operations of Amey Roadstone had become the largest single contributor to profits for the first time since their acquisition.

The group is spending a total of about £48m on exploration this year, similar to last year's figure. Gold Fields has already reported that three new gold mines will be opened within the next 18 months, with a total capacity of some 10 tonnes of gold a year.

● **comment**

There is an unexciting feel to these Cons. Goldfields figures, particularly as the rise in operating profits is fully accounted for by remedial surgery on past mistakes in the U.S. Some credit is due on the mining side, given the atrocious market conditions in base metals, but the gold price has been steady in relevant currencies (rather than the dollar) throughout the year. The group's longer term plans, though, continue to be energetic. The share-dealing side may be extended, not through the familiar device of buying 29.9 per cent of a stockbroker, but by the setting up of investment or unit trusts in gold shares. The exploration programme is still aggressive, in Australia particularly. But sadly, despite the group's strictures on the stock market's narrow horizons, there could be little progress in the shares at 474p—as in the profits—in the nearer term.

Johnnies may have new mine

SOUTH AFRICA'S Johannesburg Consolidated Investment ("Johnnies") may open a new gold mine in the southern Orange Free State, some 17 km south of the town of Virginia and adjacent to the eastern boundary of the Gencor group's new Beatrix mine.

Mr Vaughan Bray, finance director of Johnnies, said yesterday that the new operation could be opened within three to five years, and would have a life of some 20 years.

Details of gold grades and reserve tonnages will not be available until after the completion of the present exploration drilling programme in December, but it is known that the deposit is at the relatively shallow depth of between 1,000 and 1,500 metres below surface.

The ownership of the deposit, which covers two farms in the Theunissen district, is split between Johnnies, with 45 per cent, the associated Randfontein gold mine also with 45 per cent, and Anglo American Corporation with the remaining 10 per cent.

Mr Gordon Waddel, Johnnies' chairman, welcomed the possible development in yesterday's annual statement.

As far as prospects for the group for the current financial year to June 30 are concerned, Mr Waddell said he hoped that pre-tax profits would again increase, but pointed out that Johnnies has now fully utilised al lavailable tax losses, and will thus be liable to taxation on all income except that from dividends.

This means the group will have to perform betetr than before in order to achieve the same level of net profits, but in the absence of unforeseen circumstances, Mr Waddell said he believed that should be possible.

The chairman also took the South African Government to task for failing to achieve what it is demanding of everyone else, namely exercising the self-discipline necessary to put its financial house in order.

This, he said, is responsible for the fact that the country's inflation rate is still in double figures, and likely to rise further through the continued depreciation of the rand and the growth in money supply.

Impala revives capital spending plans

THE INCREASE in demand for platinum has encouraged Impala Platinum Holdings, part of South Africa's Gencor group, to reinstate the extensive programme of capital expenditure which was delayed when demand was weak in 1982.

Mr Ted Pavitt, Impala's chairman, said in yesterday's annual statement that this mainly involved the shaft replacement programme. The company had to make every effort to build up output in the year to June 30 in order to match the increased off-take of the metal, he said, stressing that establishing additional working faces in the mines is always a slow and costly exercise.

Prospects for future growth in the market during the year ahead appear favourable, he added. demand for platinum in the chief sectors of consumption, namely the motor industry, jewellery and electronics, is expected to continue to grow in the next 12 months, provided that the authorities in western countries can contain inflation.

Profits for the current period are expected at least to match the R268.7m (£134.4m) recorded in the period under review.

Strong recovery at Deborah

After plunging £60,000 in the red at halfway, Deborah Services, the Sheffield-based scaffolding contractor, made, what Mr Arthur Britton, the chairman describes as a "dramatic turnround" in the second half and ended the year to March 31 with pre-tax profits of £1.01m compared with £85,827 in the previous year.

The final dividend is raised from 3.025p to 3.34p for an increased total of 4.55p (4.235p)—the company's shares are traded on the market formed by Granville & Company. Earnings per 5p share were stated up from 1.45p to 10.55p.

Mr Britton says the improvement in profits derives primarily from the activities of the company's traditional scaffolding division, while the increase in the workload is accounted for by contributions from the insulation division and the relatively new painting division.

UK COMPANY NEWS

B. Matthews shows 30% sales growth in meat products

THE CARRY over of high levels of turkey stock from Christmas and cost increases of over £3m, have resulted in pre-tax profits at Bernard Matthews, turkey producer and meat processor, down from £2.82m to £1.02m for the 28 weeks ended July 15 1984. Total pre-tax profits in 1983 were £7.01m.

Turnover increased during this period from £36.45m to £44.7m with the growth occurring within the meat products division where sales again increased by over 30 per cent.

The interim dividend is a same-again 2.5p, costing some £400,000, with stated earnings per 25p share 5.11p against 15.89p. Last year's final payment was 4p.

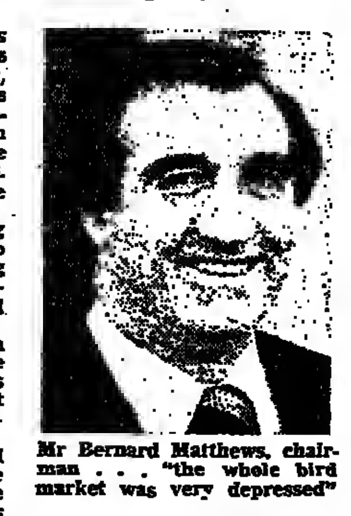
Fire damage delayed planned new product launches, with the company financing excessive stockholdings of turkey meat as a result. Some rationalisation has taken place during the first half, however, with these stockholdings being significantly reduced.

Mr B. T. Matthews, chairman, anticipates a further substantial advance in meat product sales in the second half, but the company, he says, is "involved with very substantial market and production development costs which make forecasting full-year profits difficult."

The company has recently concluded a major long term agreement with the New Zealand Meat Producers' Board.

In return for royalty payments it will assist the Board in setting up at its cost a new processing plan in New Zealand. This plant will be commissioned in 1985 and thereafter will supply the company's lamb roast requirements for its markets in both the UK and Europe.

Interest payments took an increased £914,000 this time (£521,000), but tax was down at £204,000 against £282,000, leaving net profits of £517,000 (£2.54m).



Mr Bernard Matthews, chairman . . . "the whole bird market was very depressed"

● **comment**

The market is having difficulties in getting the measure of Bernard Matthews. On the face of it, it is surprising that the shares fell to 230p. After all, the difficulties in the world bird market, where record feed costs have gobbled up profits, were well-known. And the company had already signalled that the costs of launching and manufacturing its new products would eat into this year's results. However, yesterday's fall in the share price should be seen in the context of a strong rise over the year from a low of 158p. The problem lies in assessing a future which is at once exciting and fraught with risks. The positive side is that the market for the new processed meat products that Matthews is launching is potentially huge, and once everything is in place there should be very good profit margins. The danger is in over-estimating consumer demand and the speed with which the new products can take off. For the year, the group should make £4.5m pre-tax, putting the shares on a prospective p/e of about 10, on a 20 per cent tax charge. Given the way that Bernard Matthews has read the processed meat market correctly over the past few years, this is fair value.

G. Scholes recovers lost ground

George H. Scholes, manufacturer of Wylex electrical products, made up the £329,000 first-half shortfall through the second six months to finish the 1983-84 year £59,000 ahead at £4.72m pre-tax.

Earnings improved from 38.9p to 40.8p and a final dividend of 13p (12p) lifts the net total by 1p to 18p per 25p share.

Tax accounted for £2.09m (£2.13m) to leave net profits at £2.62m, compared with £2.5m. Turnover rose from £22.76m to £24.23m.

The group has become involved with L.T. Switchgear, a rapidly expanding manufacturer and supplier of quality electrical distribution equipment, which should provide it with further opportunities to extend its interests in the electrical installation business.

Also a joint venture laboratory has been established in Vienna headed by a world authority on RCCB protection.

The directors say that in a period of changing technology and with a new technical manager, they are determined to make sure the group maintains its leadership in its main product areas. They are also investigating new products.

Clyde Petroleum surges ahead but sees second-half slowdown

Clyde Petroleum, the oil and gas exploration and production concern, lifted pre-tax profits from £2.03m to £4.87m for the first half of 1984. Net figures, after all charges, advanced from £2.14m to £3.36m and earnings per 25p share were 1.9p higher at 3.6p.

Results for the first six months include a full period's production from the Buchan Field and production from the Wytch Farm Field since its acquisition on May 17 1984. Last year's comparable period included Buchan production only from payout of the group's net production interest in May 1983.

Half-year operating profits, before write-offs, surged ahead from £2.39m to £5.63m. The directors warn, however, that this record level will not be maintained in the second half due to the planned shutdown, in October, of the Buchan Field for gas installation, and increased production taxes in Ecuador following pay-out of pre-production investment.

This will be mitigated by a full period's production from Wytch Farm and possible gains in production in the U.S. The financial position, which is enhanced by the off-balance-sheet financing for the Balmoral development, will enable Clyde to purchase new sources of production while significantly increasing involvement in exploration, the directors state.

UK profits climbed sharply from £0.27m to £2.15m. A good second quarter performance from the Buchan Field, coupled with the favourable effect of exchange rates during the period, resulted in a satisfactory outcome from UK operations for the six months.

Net-remitted cashflow from Ecuador came close to matching the exceptional performance of the second half of 1983, the directors report. Profits from Ecuador and other countries totalled £2.41m (£1.21m and £2.5m for first and second halves of 1983 respectively).

● **comment**

Clyde is generating more income from oil production than the market thought likely and the shares duly rose 3p to 110p yesterday. Both the North Sea Buchan field and the frequently-underrated Ecuadorean interests performed better than expected, offsetting disappointing profits from the U.S. Given that Buchan will be closed for nearly six months from next month, second-half income will be lower, but it should still be enough to take the company to at least £8m pre-tax. Beyond 1984, however, Clyde has its difficulties. First, it needs to acquire some production to fund UK exploration before its major interests in Wytch Farm and in Balmoral generate serious income after 1987. Secondly, it also needs to step up its exploration programme to make the best use of the income from these production stakes in the late 80s and 1990s. The company is aware of the rather sleepy image it has in the eyes of investors who prefer exploration groups with more active programmes. It is also not blind to the fact that its production interests in the UK make it very attractive to any multinational in need of production income to pay for planned exploration in stakes acquired in the North Sea ninth round, for example. Clyde is busy increasing its exploration activities in France and Denmark, but can it move fast enough to stay independent?

Pittard Group doubles profits as demand grows

IMPROVED DEMAND and slightly better sales margins have enabled the Pittard Group, Somerset-based leather manufacturer, to more than double pre-tax profits, from £453,000 to £1.04m, for the six months to June 30 1984.

Earnings per 25p share were shown up by 5.6p, at 10.6p. An increased interim dividend of 1.45p is being paid, against 1.38p last time.

During this period turnover rose sharply from £11.73m to £16.68m, with the home market up from £7.38m to £9.77m

The improved demand for leather in the company's major the general increase in consumer spending, says group chairman Mr N. F. Wood. It was also because of "the more realistic value of sterling in relation to many foreign currencies and increasingly the improved competitiveness of our own products and service internationally."

Determined efforts have been made to win back overseas markets, and exports now represent 41 per cent of total sales, compared with 37 per cent for the corresponding period, and 38 per cent for 1983 as a whole.

The significant increase in volume has contributed materially to the continuing recovery in profitability. In 1982 the company had a pre-tax loss of £326,000. The improvement is encouraging, Mr Wood says, although recognised as still being insufficient as an adequate return on the capital employed.

Interest and depreciation for the first half took £249,000

BASE LENDING RATES

Bank	Rate
A.B.N. Bank	10½%
Allied Irish Bank	10½%
Amro Bank	10½%
Henry Ansbacher	10½%
Armco Trust Ltd.	11 %
Associates Cap. Corp.	10½%
Banco de Bilbao	10½%
Bank Hapoalim	10½%
BCCI	10½%
Bank of Ireland	10½%
Bank of Cyprus	10½%
Bank of India	10½%
Bank of Scotland	10½%
Banque Belge Ltd.	10½%
Barclays Bank	10½%
Beneficial Trust Ltd.	11½%
Brit. Bank of Mid. East	10½%
■ Brown Shipley	10½%
CL Bank Nederland	10½%
Canada Permn't Trust	10½%
Cayzer Ltd.	10½%
Cedar Holdings	11 %
■ Charterhouse Japhet	10½%
Choulartons	11½%
Citibank NA	10½%
Citibank Savings	¶12 %
Clydesdale Bank	10½%
C. E. Coates & Co. Ltd.	11½%
Comm. Bk. N. East	10½%
Consolidated Credits	10½%
Co-operative Bank	*10½%
The Cyprus Popular Bk	10½%
Dunbar & Co. Ltd.	10½%
Duncan Lawrie	10½%
E. T. Trust	11 %
Exeter Trust Ltd.	11 %
First Nat. Fin. Corp.	13 %
First Nat. Secs. Ltd.	12 %
■ Robert Fleming & Co.	10½%
Rb. Fraser & Ptns Ltd.	11 %
Grindlays Bank	‡10½%
■ Guinness Mahon	10½%
■ Hambros Bank	10½%
Heritable & Gen. Trust	10½%
■ Hill Samuel	§10½%
C. Hoare & Co.	†10½%
Hongkong & Shanghai	10½%
Kingsnorth Trust Ltd.	10 %
Knowsley & Co. Ltd.	11 %
Lloyds Bank	10½%
Mallinhall Limited	10½%
Edward Manson & Co.	11½%
Meghraj and Sons Ltd.	10½%
Midland Bank	10½%
■ Morgan Grenfell	10½%
National Bk. of Kuwait	10½%
National Girobank	10½%
National Westminster	10½%
Norwich Gen. Tst.	10½%
People's Tst. & Sv. Ltd.	12 %
R. Raphael & Sons	10½%
P. S. Refson & Co.	10½%
Roxburghe Guarantee	11½%
Royal Bk. of Scotland	10½%
Royal Trust Co. Canada	10½%
■ J Henry Schroder Wagg	10½%
Standard Chartered	‖10½%
Trade Dev. Bank	10½%
TCB	10½%
Trustee Savings Bank	10½%
United Bank of Kuwait	10½%
United Mizrahi Bank	10½%
Volkskas Limited	10½%
Westpac Banking Corp.	10½%
Whiteaway Laidlaw	11 %
Williams & Glyn's	10½%
Wintrust Secs. Ltd.	10½%
Yorkshire Bank	10½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 7.25%. 1-month 8.00%. Fixed rate 12 months £2,500 9.75% £10,000, 12 months 10.00%.
† 7 day deposits on sums of under £10,000 7¼%. £10,000 up to £50,000 8%. £50,000 and over 8½%.
‡ Call deposits £1,000 and over 7¼%.
§ 21-day deposits over £1,000 8½%.
‖ Demand deposits 7¼%.
¶ Mortgage base rate.

GOLD FIELDS
OF SOUTH AFRICA LIMITED

Chairman's Review

A combination of internal and external economic forces led to a progressive deterioration in the South African economy during the past year. Although the static gold price in rand terms and higher operating cost and tax levels were reflected in the lower earnings of Gold Fields of South Africa Limited, the net asset value at 30 June 1984 was R3 529 million, an increase of 18% over the previous record figure.

WORLD ECONOMY

Economic events in the industrialised world have been dominated by the stronger than expected growth rate which has been registered by the United States economy. The United States interest rates remained at a high level in real terms, thus attracting strong capital inflows which have had the dual effect of offsetting the adverse balance of trade and helping to provide the funds in the capital market from which the United States treasury has been able to draw to finance the major budgetary deficit. As a consequence the dollar has continued to strengthen and this has facilitated the maintenance of a low rate of inflation. Aided by a number of key protectionist measures, a wide cross-section of economic activity in the United States has benefited. Primary industries, and more particularly the mining industry, have continued to feel the depressing effect of the strong dollar on domestic prices of primary products. In many instances large sections of the relevant United States industries have been rendered uncompetitive and have had to face crucial decisions as to whether they will continue their loss-making operations or cease operations either temporarily or permanently. Many have opted to continue operations in the hope that the dollar will weaken in due course and thus restore their competitive position in world markets. Some, such as the copper mining industry, have pleaded for protection against imports from those countries which are capable of producing at substantially lower costs. In the remainder of the industrialised world, low growth rates have prevailed with the exception of Japan which has benefited to a greater extent from the strength of the United States economy. The net result has been a relatively modest world-wide recovery. While the key developing countries in South-East Asia have been able to take advantage of the present circumstances, those of Central and South America and Africa have not been so fortunate. Many African countries have had to contend with one of the worst drought cycles in living memory. By and large the financial problems of the countries in the developing world remain serious and loan re-scheduling is critical to their future well-being. Some countries continue to have serious debt servicing problems and their future outlook remains bleak.

SOUTH AFRICAN ECONOMY

The South African economy has been under severe pressure during the past year. The combined effects of the drought, high inflation, the strengthening of the dollar and a consequent decline in the dollar price of gold set in motion a series of events which inevitably led to a rapid decline in the dollar parity of the rand. These events were hastened by the failure of the government to acknowledge the serious situation which had developed. It had become apparent that the relatively restrictive monetary policy of the Reserve Bank could not bring about the necessary adjustments in the economy and, therefore, a declaration by the government ministers concerned on 3 August 1984 that action was going to be taken from a fiscal point of view is to be welcomed. The government will have to back up its statements by strong actions in order to convince the private sector that it is in earnest. A major attack on public sector spending is required.

This will necessitate an urgent assessment of priorities and recognition that the burden of adjustment cannot be placed on capital programmes alone. Such a short-sighted policy would only create fresh problems a year or two from now when a lack of infrastructural development could become a major bottleneck in the economy. A major drive is required to streamline the public service as a whole and to eliminate inefficiencies. In addition it will be necessary to recognise that an efficient public sector cannot provide guarenteed employment for those who are unable or unwilling to work productively.

South Africa faces a prolonged and difficult adjustment period and it is to be hoped that the government will have the political will to take those steps which are necessary to create a favourable climate for stable economic growth in the future.

MANPOWER

The mining industry enjoys good relationships with its older traditional associations and trade unions. While representatives of the employers and employees do disagree from time to time, these disagreements continue to be resolved in a responsible manner. Progress towards the elimination of discrimination in the industry remains slower than one would hope. The sensitivity of this issue for certain occupations remains a stumbling block to the achievement of a blanket resolution of the problem with all the employee bodies. There is, however, scope for progress in respect of less sensitive occupations. Where the will exists, progress can be made and it is to be hoped that the industry will apply its energies more gainfully in these areas.

The National Union of Mineworkers continues to be active on mines associated with the Chamber of Mines. It has achieved sufficient membership to be recognised in respect of certain categories of employment on a limited number of mines in the industry and therefore has become a significant factor in the wage setting processes for the mining industry. At the end of June the Chamber of Mines and the Union failed to reach agreement on a wage settlement. The industry has traditionally granted wage increases to its black employees with effect from 1 July each year. As the majority of the black employees were not members of the Union it was incumbent upon the industry to grant them their wage increase on the normal date. As, however, it was not possible to identify who in fact were members of the Union, it was decided that the most equitable policy was to implement the wage increases to all mine employees at the same time. Subsequent discussions between the Chamber of Mines and the Union at separate Conciliation Boards for the gold and coal mines have failed to resolve the dispute. At the time of writing the Conciliation Board for the coal mines continues in session and the Union has indicated its intention to call for strike action on those gold mines where it is recognised.

The increases granted to the black employees on the group's mines have been welcomed by the great majority of people. Their primary consideration is their own economic well-being in an environment where employment opportunities are limited. A major feature of the mining industry in recent years has been the dramatic decline in the turnover of the black labour force which, while remaining largely migrant, has come to recognise that the mines provide excellent opportunities for permanent employment.

GROUP OPERATIONS

The profit margins of the group's operating gold mines were squeezed between a static rand gold price and the relentless pressure of inflationary forces on operating costs. Net profits were further affected by the additional surcharge on gold mining tax which was imposed in the Minister of Finance's March 1984 budget. Fortunately the group's gold mining companies are in a strong financial position and, therefore, all the mines have been able to proceed with their essential capital programmes. Most of the essential expenditure relates to shaft sinking and ventilation programmes which are vital to ensure the long-term future of the mines concerned. Some lesser priority expenditure has been deferred.

In real terms the prices of most of the base metals in which the group is interested, with the notable exception of zinc, continued to be under pressure during the year. Since the year end there has been a turn-round due largely to the decline in the value of the rand against the dollar. In addition a modest improvement in the demand for coal on export markets commenced before the year end.

NEW BUSINESS

The group continues to give top priority to the quest for new business opportunities. Our exploration gathered momentum during the year and, as a result of a higher than expected rate of drilling, expenditure exceeded the target level of 10% of pre-tax profits. Good progress continues to be made with the gold, platinum and coal projects which have already been identified and where significant mineral resources have been proved. These investigations continue and it remains to be seen whether it will be economically possible to turn the individual areas to account.

During the year the group opened an office in Botswana and is now actively engaged in exploration in Botswana as well as Namibia where it has been active for some years. While our major effort is concentrated in the Republic of South Africa, we will continue to seek opportunities in Southern Africa generally.

In addition consideration is being given to the acquisition of existing businesses. Towards the year end negotiations with the major shareholder in The Clydesdale (Transvaal) Collieries Limited led to an agreement in terms of which the group acquired the controlling shareholding with effect from 1 July 1984. Subsequent to the year end the same offer was made to all other shareholders and as a result the group now holds 90% of the issued capital of the company. Clydesdale has three important coal interests, viz. Coalbrook Colliery, which supplies coal to Escom; the New Clydesdale Colliery, which supplies high-grade coal to the local market; and a 50% interest in the large Matla Colliery which currently supplies coal to Escom and has an important potential export capability. The group has assumed administrative control of the Clydesdale company and, through it, the Coalbrook and New Clydesdale collieries with effect from July 1984. The possibility of rationalizing the group's coal mining operations is being actively pursued and it is hoped that it will be possible to reach a conclusion in this regard in the near future.

OUTLOOK

The outlook for the South African economy is difficult to predict at this juncture. As I have already mentioned, the critical unknown at this stage is the extent to which the government has the political will to come to grips firmly and resolutely with the imbalances in the economy. While the mining industry is benefiting in the short term from the significantly lower rand parity, I remain deeply concerned about the inflationary impact of many aspects of government economic policy. If the government does pursue the right combination of economic policies, it could well have an adverse effect on the mining industry in the short term but there can be no doubt that it will benefit the industry substantially in the longer term.

The group's results for the year will be affected both by the behaviour of the gold price in rand terms and the increase in earnings which should arise from the investment in Clydesdale. From the point of view of the ordinary shareholders, these latter earnings will be offset by the dividend which will be payable on the preference shares which were issued in respect of the acquisition of Clydesdale.

Provided there are no unforeseen circumstances, a gold price of R16 000 per kilogram should lead to a maintenance of the earnings for ordinary shareholders. Although the average gold price for the first two months of the group's new financial year has been slightly in excess of R17 000 per kilogram, it is too early to assess the outcome for the year. The high interest rates which continue to prevail in the United States and the general demand for gold do not encourage the view that there will be any major upturn in the dollar price of gold during the balance of the year. On the other hand the rand parity will depend upon, inter alia, monetary and fiscal policy, the demand for South African exports and, above all else, the unpredictable weather conditions which will determine the fate of South Africa's key agricultural sector.

ROBIN A. PLUMBRIDGE
Chairman

7 September 1984

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BIDS AND DEALS

Taddale approached about Prince of Wales Hotels

BY ALEXANDER NICOLL

Prince of Wales Hotels, the proviocial hotel chain io which Taddale Investments acquired a controlling ioterest through a bid earlier this year, has received an approach which may produce another offer for the company.

The hotel group's shares rose 20p yesterday to 120p, valuing the company at £14.5m. Mr Michael Carlton, Taddale deputy chairman and a director of Prince of Wales, could giva no details of the identity of the potential hidder or of any talks now in progress.

A decision by Taddale to sell the hotel chain would be surprising, not only because of the brief period for which it has held its majority stake but also hecause the acquisitioo was port of a move to give Teddale a clear identity.

A year ago, the Stock Exchange turned down Taddale'e applicetion for a listing hecause it had no identifiable business which had been carried on for five years. Taddale, chaired by former British Steel chairman Sir Monty Finniston, is a holding company specialising in fostering the growth of small industrial companies.

Among its subsidiaries are PH Industrials, a joinery manufacturer and supplier of shop and hotel fittings, and Branon, an oilfield services supplier and construction equipment maker. It holds a 28 per cent stake in Edmond Holdings, a housebuilder in Northern England and the Midlands.

Soma of its other interests hava heen sold this year, including holdings in Munton Brothers, a textile company, and Emray, a financial services and vehicle distribution group. Meanwhile, Branon has been reorganised and minority shareholders of PH Industrials were bought out.

Taddale has 60 per cent of Prince of Wales, and Quality Inns of the U.S. has an 11 per cent holding with an option tn buy a further 9 per cent from Taddale.

Taddala owns 20 per cent and Quality Inns 80 per cent nf a company formed to manage Prince of Wales properties and to develop a bigger hotel chain with the Quality name.

Quality Inns la a fast-growing chain with ovar 600 hotels — either owned, managed or franchised — mostly in the U.S. The 17 premises in the Prince of Wales group were the first to come under Quality's management in the UK.

Among its hotels are the Imperial Hotel in Bleckpool, the Beech Hill Hotel at Windermere and the Cairn Hotel in Harrogate. In 1983, pre-tax profits rose from £583,000 to £724,000 on turnover of £12.29m against £11.63m.

BOC sale to Canadian partner

BY CHARLES BATCHELOR

BOC GROUP, the industrial gases and health care group, is to sell its 49 per cent stake in the BOC-Nowsco group of companies lo its Cansdian partner, Nowsco Well Service for C$32.5m (£19.8m).

BOC-Nowsco is a group of companies which provides services to the oil industry in 12 countries. It supplies liquid nitrogen to stimulate increased production from oil fields, to clean pipelines of oil fumes and to detect leaks in pipelines.

BOC said the companies had been profitable since tha joint venture was established in 1973. It refused to give any financial details but described its contribution to profits as healthy bnt not substantial.

The decision to sell was taken as BOC prefers majority holdings in associated companies and becauce BOC-Noswco is not ona of the core activities on which BOC is concentrating. The sale is due to be completed on September 26.

Nowsco Well Service is 62 per cent owned by Big Three Industries of Houston, Texas, a gas and oil group. The remaining Nowsco shares are traded on the Calgary Stock Exchange.

Other recent disposals by BOC include its Danish carbon dioxide and dry ice supplier, Kulsyre og Torisfabriken (Union); its 10 per cent stake in Oxford Instruments, the electronic instrument group; and BOC Magnets, its magnets business.

LIT expands into securities

BY ALEXANDER NICOLL

London Investment Trust, a bolding company centred on commodity clesring and brokering as well as financial services, is expanding into securities markets through the purchase of Rialcor, a clearing member of the Chicago Board Options Exchange.

LIT is paying about U.S.$1.25m (£1m) initially, plus a maximum of $2.15m (£1.8m) depending on profit levels in 1986 and 1987. Up to 20 per ceot of the total consideration may be paid in LIT sbares.

Rialcor, whose three current owners will remain senior executives, currently provides clearing services to CBOE market-making members. But under LIT's ownership, it will expand into retail options brokerage in the U.S. and also into the broader field of stockbroking.

Rialcor will complement another LIT subsidiary, Shatkin Trading, a clearer and broker on the major Chicago futures exchanges. LIT also wons E. Bailey, a London commodities broker, as well as Centrespur, a UK financial consultancy specialising in the film industry.

Mr John Arthur, LIT chairman, said the group is also considering expansion into the UK securities market, but that prices for stockbrokers and other institutions are currently too bigh amid the turmoil caused hy changes in Stock Exchange practices.

Mr Arthur said LIT plans shortly to dispose of its entire property portfolio, which has e value of around £600,000, against net assets of £15.6m.

Order level hits Stag Furniture

AFTER a good start to the year trading conditions for Stag Fnrniture Holdings deteriorated from April onwards and, as forewarned at the AGM, influenced profitability.

Orders during the second quarter were insufficient to keep the group working to a satisfactory level of output and profits before tax for the six months to June 29 1984 plunged from £1.04m to £361,000.

Mr P. V. Radford, the chairman, says Yatton Distributors, consisting of the integrated businesses of Avalon and Meredew, has heen a continuing source of concern.

A leading firm of management consultants was employed to make an in-depth study of the company and after "careful consideration" of their report it was decided that it was no longer possible to contioue carrying the costs of the subsidiary's excess manufacturing capacity.

The Avalon factory, therefore, is expected to be closed by the year-end with the loss of some 370 jobs.

Trading conditions for the group remain competitive but tha short-term problems are in the process of being solved.

The group's financial and other resources are "more than edeuuate" for the task and Mr Radford remains confident

Sales for the first six months edged ahead from £18.96m to £19.57m. The net interim dividend is held at 1.75p, uncovered by stated earnings of 1p (5.6p).

At the May annual meeting the chairman said that since the Budget business had been "unexpectedly" flat. He told shareholders that while the medium-term prospects for the group remained good, disappointing demand was infinencing profitability in tha second quarter.

Mr P. N. Clancy resigned as managing director and left the company in June. Mr Radford assumed the position along with his responsibilities as chairman.

Two more joining USM's ranks

The ranks of the Unlisted Securities Market are being increased hy the addition of Trade Promotion Services, an organiser of trade fairs in the UK, and Comprehensive Financial Services, a financial planning consultancy.

Comprehensive Financial (CFS), since its foundation in 1971, has built up a financial planning consultancy for wealthy individuals and companies requiring advice on tax planning, trusts and settlements, portfolio management and insurance.

Some of these clients will now have the opportunity to invest in CFS which is coming to the USM by way of a placing of just over 1m shares at 85p each, giving a market capitalisation of £2.77m.

Lazard Brothers and an Inchcape subsidiary founded the company but four years later Mr Oliver Stanley and Colin Kinloch, now chief executive and managing director respectively, successfully arranged a management buy-out.

They have gradnally broadened the services offered to clients in three main areas, consultancy, investment and trusts. They have a number of overseas subsidiaries and have built up a eizeable overseas clientele.

The company bas shown a steady increase in turnover, pre-tax profits and earnings per share in the last five years. For the current year to December, the directors forecast a rise in pre-tax profits from £189,000 to £250,000. At the placing price the shares fell on a prospective p/e of 14.9 and a yield of 3.36 per cent.

The issue will raise £109,500 for the company and will be used in part to establish a new office in Geneva.

Bell, Lawrie, Macgregor are brokers to the issue and dealings are expected to begin on Tuesday, September 25.

Trade Promotion Services (TPS) is placing 2.72m shares through stockbrokers Margetts and Addenbrooke at 75p each. The placing represents 48 per cent of the total equity and capitalises the group at £4.25m. TPS is issuing 670,000 new shares to raise £375,000 after expenses.

The largest shareholder, the British Jewellery and Giftware Federation, is selling 975,800 shares worth £731,850. This reduces its etake in TPS from 49 per cent to 26 per cent. Other shareholders will be raising £807,690 gross.

TPS forecasts that taxable profits will rise by 26 per cent to £650,000 in the year to next April and a 3.15p net dividend. The prospective multiple is 11.9, assuming a 45 per cent tax charge, while the gross dividend yield is 6 per cent.

Group profits have fluctuated in recent years chiefly because of losses from the small exhibition stand construction division, which has been rationalised and is expected to become profitable shortly.

The International Spring Fair in Birmingham, which is sponsored and organised by TPS, provides the biggest single source of revenue.

Astra Ind. holders reject executive share scheme

SHAREHOLDERS of Astra Industrial Group, a loss-making West Midlands company with interests in engineering, property and snooker clubs, have approved proposals to restructure the group but rejected an executive share option scheme.

Votes on a series of proposals, including a capital reorganisation, rights issue and the sale of a scrap reprocessing business, were taken at an extraordinary general meeting in Sutton Coldfield on Monday.

The meeting was originally told that the share option scheme for senior executives was approved along with all the other motions. But it was discovered yesterday that 2.15m votes against the scheme had been correctly lodged but had escaped the count.

As a result of the new count, the scheme was defeated by 556,302 votes, with 5.21m against and 4.65m for the proposal.

The mixup occurred because proxy votes lodged after business hours on Friday evening with the registrars, Hill Samuel Registrars, were overlooked when the proxies were gathered to be taken from London to Sutton Coldfield for the EGM. They were discovered later and added to the count yesterday.

The reversal does not affect the passage of other proposals. Astra has been making heavy losses, and won the support of its bankers, Midland Bank, for the restructuring package involving the scaling down of its business and a two-for-five rights issue raising £1.23m.

The reorganisation is being overseen by Mr Peter Dellar, who became chairman of Astra last March. He is also chairman of Charles Baynes, a Blackburn-based hacksaw blade maker.

G. T. Japan

Pre-tax revenue at the GT Japan Investment Trust moved ahead from £563,608 to £845,000 for the year to the end of June 1984. Income from investments amounted to £1.63m against £1.17m.

Tax came to £438,000 (£294,000), and diluted earnings per share were shown as coming through ahead from 1.13p to 1.56p. The net interim dividend has been effectively raised from 0.7p to 1p, making a total of 1.4p (adjusted 1.1p) after allowing for last year's one-for-four scrip.

Net asset value came to 144p (108p adjusted) assuming full conversion of loan stock.

SECTION III – INTERNATIONAL MARKETS
FINANCIAL TIMES
Wednesday September 19 1984

Hopes of large EEC grain sales to Soviet bloc, Page 34

WALL STREET

GNP data provide a distraction

THE SCHEDULED announcement tomorrow of the Commerce Department's first, or "flash," estimate of third-quarter growth in gross national product provided a focus of attention in Wall Street financial markets yesterday, *writes Michael Morgan in New York.*

However, the credit markets opened subdued in the run-up to the announcement, later in the day, of details of the Treasury's end of quarter borrowing package.

In the event, the Treasury postponed auctions of seven-year notes and 20-year bonds that would normally be held next week, due to congressional inaction on legislation to raise the debt limit.

The stock markets turned lower with declines in technology issues pulling the broader market lower. By the close, the Dow Jones industrial average was at its lowest of the session, down 10.82 at 1,228.29.

A pick-up in trading volume to 108m shares, from the previous day's 89m, was helped by some heavy institutional trading programmes, particularly in utility issues.

Treasury coupon issues were mixed on the back of a federal funds rate which eased back from an opening 11¾ per cent to 11 9/16 per cent, at which rate the Fed again added temporary liquidity with an overnight system repurchase arrangement. The Fed also announced purchases of $400m of bills on customer account when the funds rate was later trading at 11⅝ per cent.

But late in the session, prices of Treasury notes and bonds picked up following a news service report quoting an unnamed federal reserve official as saying the Fed would like to see the federal funds rate fall below 11 per cent. The report was later dismissed by a spokesman who said that the Fed did not comment on current monetary policy.

Prices of Treasury notes were between 3/32 and 5/32 higher while at the long end, bond prices were up to 14/32 higher. The key long bond, the 12½ per cent of 2014, added 3/32 to 102 29/32.

At the short end, Treasury bill rates edged higher from the levels set at Monday's regular auction. The three and six-month bills each added one basis point to yield 10.32 and 10.39 respectively.

In the stock markets, Burroughs – delayed at the opening because of an order imbalance – later shed $2⅞ to $53⅜ amid investor concern about the magnetic media coating used on its disc drives.

On Monday, Control Data, which uses the magnetic media made by Burroughs' Memorex division, said it had halted shipments of its disc drives because of technical problems, which render the units unusable. Control Data fell $1 to $25⅞ in heavy trading.

Elsewhere in the sector, Motorola gave up $2⅞ to $40⅝ after an analyst removed the stock from his recommended list, reflecting concern that semiconductor orders will not turn up with much vigour in the fourth quarter of the year. Texas Instruments shed $1⅜ to $134⅝, and Cray Research $1⅛ to $54⅜.

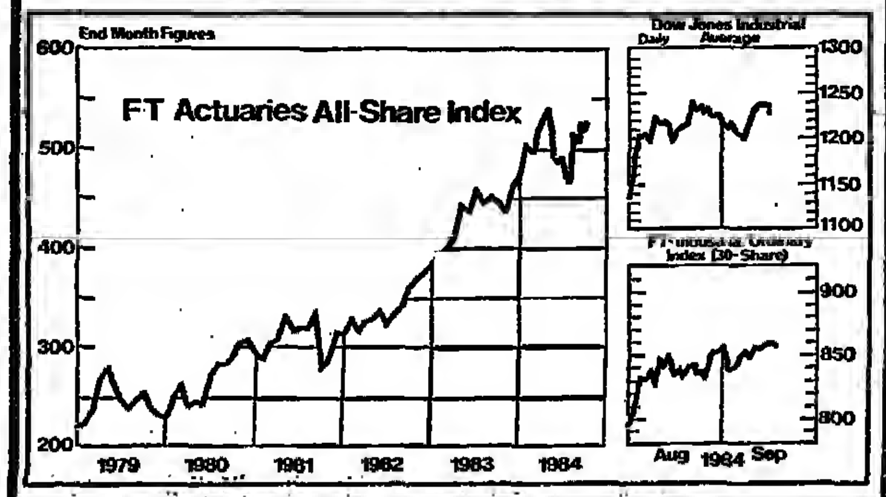
IBM also turned easier, down $⅜ to $127⅞, giving up the small early advance seen as it announced volume production of a new memory chip and two new models of its 3880 storage control unit, which, it says, are substantially less expensive than current models.

Among blue chips, Teledyne added $4⅞ to $269⅞, Merck $⅜ to $88 and Burlington Northern $⅜ to $48⅝. General Electric was unchanged at $58⅞, but Mobil dipped $⅜ to $29⅛.

General Motors put on $⅛ to $77 as talks on a new contract resumed with the United Auto Workers union. Ford shed $⅜ to $46⅛, and Chrysler was $⅛ easier at $31⅛.

Financial Corporation of America traded up $⅛ at $8⅜ amid reports that it is expected to make a public offering of $1bn of new certificates of deposit later in the month in an effort to reduce dependence on government loans and to bolster its deposit base.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Sept 18	Previous	Year ago
NEW YORK			
DJ Industrials	1,226.26	1,237.08	1,225.71
DJ Transport	521.37	525.02	572.73
DJ Utilities	133.16	132.75	131.89
S&P Composite	167.65	168.87	166.24
LONDON	Sept 18	Previous	Year ago
FT Ind Ord	858.0	859.0	705.2
FT-SE 100	1,109.9	1,110.5	949.0
FT-A All-share	524.12	524.07	446.26
FT-A 500	570.94	570.84	482.83
FT Gold mines	514.5	509.7	653.1
FT-A Long gilt	10.69	10.50	10.45
TOKYO			
Nikkei-Dow	10,559.15	10,636.36	9,195.66
Tokyo SE	817.08	821.18	677.12
AUSTRALIA	Sept 18		
All Ord.	718.2	723.4	716.4
Metals & Mins.	426.0	432.4	577.8
AUSTRIA			
Credit Aktien	54.22	54.34	55.12
BELGIUM			
Belgian SE	163.17	162.78	131.18
CANADA	Sept 18	Prev.	Yr ago
Toronto			
Metals & Mins	1,976.38	2,001.14	—
Composite	2,400.42	2,398.26	2,533.3
Montreal			
Portfolio	118.89	118.81	124.94
DENMARK	Sept 18	Previous	Year ago
Copenhagen SE	177.31	176.46	200.08
FRANCE			
CAC Gen	173.9	174.8	133.7
Ind. Tendance	113.2	113.7	84.95
WEST GERMANY			
FAZ-Aktien	362.59	356.52	308.38
Commerzbank	1,048.7	1,032.1	815.2
HONG KONG			
Hang Seng	974.92	963.52	918.11
ITALY			
Banca Comm.	214.11	210.12	198.21
NETHERLANDS			
ANP-CBS Gen	174.1	172.1	137.3
ANP-CBS Ind	138.3	134.5	109.6
NORWAY			
Oslo SE	282.97	283.94	210.19
SINGAPORE			
Straits Times	896.82	901.86	963.85
SOUTH AFRICA			
Golds	911.5	908.5	898.6
Industrials	881.0	874.6	951.7
SPAIN			
Madrid SE	147.39	146.81	115.37
SWEDEN			
J & P	1,451.42	1,466.72	1,474.23
SWITZERLAND			
Swiss Bank Ind	378.0	377.5	336.2
WORLD	Sept 17	Prev	Year ago
Capital Int'l	184.2	184.8	178.8

GOLD (per ounce)

	Sept 18	Prev
London	$338.00	$336.00
Frankfurt	$336.75	$335.25
Zürich	$337.75	$335.75
Paris (fixing)	$335.47	$338.09
Luxembourg (fixing)	$336.90	$338.50
New York (Sept)	$340.90	$335.90

* Latest available figure

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	Sept 18	Previous	Sept 18	Previous
$	–	–	1.233	1.242
DM	3.0915	3.072	3.8125	3.8175
Yen	246.15	247.15	303.5	307.0
FFr	8.4925	9.425	11.725	11.7125
SwFr	2.541	2.5275	3.1325	3.1375
Guilder	3.4865	3.462	4.30	4.3025
Lira	1905.0	1892.0	2362.25	2348.0
BFr	62.25	61.55	77.225	76.8
C$	1.3182	1.31845	1.62525	1.6365

INTEREST RATES

	Sept 18	Prev
Euro-currencies (3-month offered rate)		
£	11 1/16	10 15/16
SwFr	5⅜	5 13/16
DM	5 11/16	5 11/16
FFr	11¾	11½
FT London Interbank fixing (offered rate)		
3-month U.S.$	11 13/16	11 13/16
6-month U.S.$	11 15/16	12
U.S. Fed Funds	11 7/16	11 9/16
U.S. 3-month CDs	11.20	11.30
U.S. 3-month T-bills	10.31	10.35

U.S BONDS

Treasury	Sept 18* Price	Yield	Prev Price	Yield
12⅜ 1986	100 1/32	12.08	100 1/32	12.09
13¾ 1991	105 29/32	12.43	105 27/32	12.44
12⅜ 1994	101 9/32	12.35	101 9/32	12.35
12½ 2014	102 29/32	12.13	102 24/32	12.13
Corporate	Sept 18* Price	Yield	Prev Price	Yield
AT & T				
10⅜ June 1990	90⅜	12.80	90⅜	12.80
3⅞ July 1990	71¼	10.60	71¼	10.60
8¾ May 2000	72¼	12.90	72¼	12.90
Xerox				
10⅞ March 1993	88⅞	12.80	88⅞	12.80
Diamond Shamrock				
10¾ May 1993	87⅞	13.00	88⅞	13.00
Federated Dept Stores				
10⅞ May 2013	92⅛	13.00	92⅛	13.00
Abbot Lab				
11.80 Feb 2013	90¾	13.00	90¾	13.00
Alcoa				
12¼ Dec 2012	90¾	13.50	90¾	13.50

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	68-16	68-19	68-03	68-10
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	89.81	89.84	89.80	89.81
Certificates of Deposit (IMM) $1m points of 100%				
Sept	88.65	88.85	88.69	88.63
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	88.64	88.66	88.58	88.59
20-year Notional Gilt £50,000 32nds of 100%				
Sept	105-24	105-23	104-24	105-23

COMMODITIES

(London)	Sept 18	Prev
Silver (spot fixing)	572.30p	567.40p
Copper (cash)	£1,029.50	£1,013.50
Coffee (Sept)	£2,411.00	£2,402.00
Oil (spot Arabian light)	$27.80	$27.82

LONDON

Currencies engender caution

THE CONTINUED deterioration of sterling against the dollar yesterday resurrected fears about its effect on UK economic policies and engendered further investor caution in London.

Particular apprehension was displayed for gilts, although this failed to stimulate selling, and most closed steady or marginally lower in slow tempo trading.

The FT Industrial Ordinary index oscillated throughout the day within a narrow margin and closed down 1.0 to 858.0.

Equities again refused to follow the gilt-edged trend. Some leading shares benefited from isolated U.S. support, while companies with overseas earnings potential attracted domestic buying support.

In an active building sector Taylor Woodrow added 8p to 333p while Tarmac eased 10p to 446p.

Chief price changes, Page 28; Details, Page 29; Share information service, Pages 30–31

HONG KONG

BULLISHNESS remained present in Hong Kong amid encouraging indications about a favourable outcome to negotiations about the colony's future and short-term economic prospects.

Although turnover declined, the Hang Seng index rose a further 11.40 to 974.93, and analysts predicted that the 980 barrier may be tested by the end of the week.

Among property stocks Hongkong Kowloon added 2.5 cents to HK$3.90, and Sun Hung Kai Properties 15 cents to HK$6.70. Banks were also generally firmer, with Hang Seng Bank HK$1 higher at HK$34.25 and Hongkong Bank 5 cents up at HK$6.50.

AUSTRALIA

RESOURCE stocks were again singled out for heavy selling in a generally weak session in Sydney.

The All-Resource index fell a further 8.3 to 475.3 as investors continued to express caution about the future of international metal prices and the impact they would have on domestic profits.

Gold issues felt the brunt, with Gold Mines of Kalgoorlie down 20 cents to A$5.70 and Poseidon 15 cents to A$2.85. Central Norseman and Renison shared 10-cent declines to A$4.80 and A$2.50 respectively.

SOUTH AFRICA

GOLD SHARES were mixed during dull trading in Johannesburg as investors watched the dollar move up strongly against the rand and the gold price.

Free State Geduld edged up 50 cents to R50, followed by Kloof Gold Mine, which gained 15 cents to R65.15. Among the losers, St Helena shed 50 cents to R40, and Harmony Gold Mine 25 cents to R27.

Mining financials and mining houses were steadier. Anglo American lost 5 cents to R20.75, and Gold Fields of South Africa remained steady at R24.50.

SINGAPORE

SELLERS remained in charge in Singapore, although turnover was thin and falls marginal.

Pan Electric, again the most actively traded stock, drifted lower to close down 4 cents at S$3.12. Pegi eased 2 cents to S$1.58, and Pahang Consolidated declined 4 cents to S$1.42.

Hotel, property and commodity stocks also lost ground. The Straits Times industrial index eased 5.04 to 896.82.

CANADA

HYDROCARBON – related issues advanced in Toronto where golds were also stronger despite the weaker international gold price. Metals and mining stocks came under selling pressure.

Trading was light in Montreal, with very little price movement among the major sectors.

TOKYO

Yen's slide undermines confidence

THE YEN'S sharp slide against the U.S. dollar sparked a wave of selling and sent lead share prices sharply lower in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

Toshiba, Mitsubishi Electric and other heavy electricals remained active but, with major international stocks, lost ground under mounting profit-taking pressure. Advances were limited to incentive-backed issues, including Japan Air Lines and Fanuc.

The Nikkei-Dow market average shed 77.21 to close at 10,559.15, the first drop in six trading sessions, on a volume of 237.08m shares, down from the previous day's 292.80m. Declines outnumbered advances 449 to 238, with 189 issues unchanged.

Lower-priced heavy electricals and other blue chips, leading lights in the latter half of last week, moved rapidly lower on news of the yen's plunge against the dollar.

Foreign investors became net sellers in early trading, with selling orders placed with the big four securities companies totalling 23m shares against buy orders for 14.5m.

Toshiba, which remained the most active issue with 36.65m shares changing hands, dropped Y3 to Y472. Mitsubishi Electric also weakened Y5 to Y435, and Fuji Electric Y4 to Y285.

The yen's weakness discouraged dealers in major securities companies from buying these issues, which sent other equities lower in their wake.

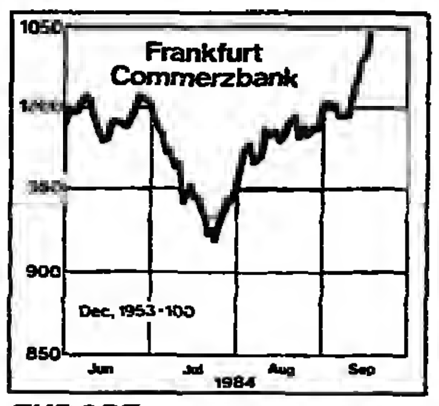
International stocks also eased across the board. Hitachi slumped Y13 to Y887, Fujitsu, which was popular on Monday, Y50 to Y1,390, Matsushita Electric Industrial Y10 to Y1,870 and Toyota Motor Y40 to Y1,380.

Conversely, high-priced cash stocks surged, with Fanuc climbing Y570 to Y10,490 and Sumitomo Special Metals Y300 to Y5,250.

The yen's decline against the dollar, contrary to expectations of brokerage houses, dampened foreign investor interest. However, the downtrend tapered off in late trading, when the yen's rally toward the close breathed some life into the equity market.

Despite the yen's weakness, the bond market eased only slightly, as price declines prompted investors to issue buying orders, with city and foreign banks and insurance companies purchasing bonds worth Y3bn to Y5bn each.

The yield on the barometer 7.5 per cent government bond, due in January 1993, increased slightly to 7.145 per cent from 7.135 per cent.



EUROPE

A sterling performance in Frankfurt

THE LETHARGY that dominated European bourses on Monday was abruptly shaken off yesterday with a sterling performance in Frankfurt where export-orientated stocks displayed remarkable vigour on the strength of the U.S. dollar.

The Commerzbank index, calculated at mid-day, was up 16.6 to 1,048.7, its highest in seven months.

Some of the largest gains of the session were recorded in car makers, particularly luxury names, with a high export exposure. Daimler led the field with a DM 32.50 rise to DM 587.50, a rise of DM 52.50 in two weeks, but still below its high for the year.

BMW scored a very respectable DM 12.80 rise to DM 398, while Porsche added DM 27 to DM 1,107. VW moved DM 3.20 up to DM 174 despite recently announced price increases.

Allianz hit a new high for the year with a DM 26 advance to DM 995, a gain of over DM 100 since the start of the month. Fellow insurer Munich Re found renewed strength with a DM 6 gain to DM 1,181.

Schering outpaced the chemical sector with a DM 20 surge to DM 403, a new high for the year. AEG edged closer to its 1984 peak with a further DM 2.30 improvement to DM 105.

Banks were buoyant, with Deutsche Bank rising DM 8.90 to DM 355.90 ex-rights and Dresdner DM 8.70 firmer at DM 170.20. Stores reversed the weakness displayed on Monday with Karstadt DM 7.50 up at DM 247.50. The only significant setback during the session was reserved for Holzmann which turned DM 10 down to DM 386.

Bonds eased, with the Bundesbank buying DM 26.5m in paper compared with DM 18.7m on Monday.

Budget proposals boosted **Amsterdam** bonds to a high for the year, with the CBS bond index at a peak of 102.8, a rise of 0.7 points. The recent balance of payments surplus also aided sentiment.

Internationals were again favoured, with Unilever at a new high, Fl 5.50 up at Fl 288.50, while Royal Dutch reversed earlier weakness with a Fl 2.40 advance to Fl 173.4. Banks were particularly strong, with ABN up Fl 10 to Fl 311.

The misfortunes of Boskalis continued with a 20-cent fall to Fl 15.80 before its removal from the actively traded list to the inactives, which are traded during official hours and have two fixed prices a day only.

Chemicals and engineers featured in a steady **Zurich** where bonds held close to overnight levels, while the new French state bond depressed activity in **Paris**, with most shares lower. BSN, FFr 52 off at FFr 2,520, was among the heavy losers while Legrand's FFr 12 setback at FFr 1,968 was more typical of the declines.

Petrofina again led **Brussels** higher, with a BFr 90 rise to BFr 7,580. Sentiment was also aided by a ¼ point drop to 11 per cent in short-term Treasury bills, the fifth such cut since the beginning of August.

A flurry of new orders at the start of the bourse month in **Milan** firmed most shares, while Fiat held steady at L1,786 after its massive capital restructuring.

Madrid was broadly higher, while Boliden, SKr 5 up at SKr 380, was one of the few bright spots in an otherwise lower **Stockholm.**

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	13¼	AAR	40	2.2	22	183	22	21⅝	21⅝	-⅛
18⅞	13⅛	AMF	50	3.0	153	746	17	16¾	16⅞	-⅛
41¼	24¼	AMR			4	2397	28	27⅛	27⅞	-⅛
20⅛	16¼	AMR	pf2.18	11		69	20	19⅞	20	+¼
41⅞	27½	AMR	pf2.13	7.1		346	30¼	29⅞	30¼	+½
25½	22⅞	AMR	pf2.67	11.		21	23¾	23⅝	23¾	+⅛
16¼	8½	APL				65	9⅞	8¾	9¾	
65½	40¼	ARA	2.19	3.1	14	2445	u68⅞	65¼	68⅞	+1⅝
68¾	44¾	ASA	3a	5.8		627	52¼	51½	51⅞	+⅛
30¼	16½	AVX	32	1.6	12	2444	20⅛	19	19¾	-¼
53⅞	38¼	AbtLab	1.20	2.6	15	4715	47⅞	45⅝	45⅞	-1¼
35⅛	23¼	AccoWd	60	1.9	20	43	34¼	33⅞	34	-⅛
27⅛	12½	AcmeC	40	2.8		49	16	15⅝	15⅝	-⅜
12⅛	8¼	AcmeE	32b	3.5	15	3	9⅛	8⅞	9⅛	+⅛
24⅞	11	AdmDg	.04	.2	10	89	18	17	17⅞	+⅜
18¾	15	AdaEx	2.11e	13		35	16⅞	16⅛	16⅛	+⅛
16⅝	12⅞	AdmMl	.20	1.0	10	6	14¼	14⅛	14¼	
22	13½	AdvSys	.811	4.7	16	17	17¼	17¼	17¼	
41⅛	25⅛	AMD			22	4453	39¾	39	39¼	-1
16⅛	7⅞	Advest	12	1.2		95	10	9¾	9¾	-⅛
20	8¾	Aerflex			11	47	12	11¾	11¾	-⅛
39	27¼	AetnLf	2.64	7.3	33	1850	36½	36	36	-½
58¾	54	AetL	pf5.78e	10		5	55½	55½	55½	-⅛
34½	15⅜	Ahmns	1.20	5.2	6	2363	23⅛	22¾	22⅞	-⅛
5½	2⅞	Aileen				24	3	3	3	
49⅜	38½	AirPrd	1	2.2	10	545	46¼	45⅝	46⅛	+⅛
30⅞	13	AirbFrt	60	3.4	10	224	17⅞	17	17⅞	+⅜
3⅞	1½	AlaMoa	50e	15		167	3⅞	3¼	3¼	
27⅛	21	AlaP	pf2.94e	12.		575	24⅝	24⅝	24⅝	+⅛

Continued on Page 27

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 28

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 26

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38½	20	Zenith			9	130	24	23¾	23¾	−⅛
37½	18	Zero	.36	1.5	18	53	24½	24	24	−⅛
34	21½	Zurnin	1.32	5.3	13	52	25¼	24¾	24¾	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Sept. 18	Price Sch%	+ or —
Creditanstalt	209	.....
Goesser	322	+4
Interunfall	400	
LaenderBank	211	+1
Perlmooser	342	+1
Steyr-Daimler	150	−3
Veitscher Mag.	227	+2

BELGIUM/LUXEMBOURG

Sept. 18	Price Frs.	+ or —
ARBED	1,710	+10
Banq Int A Lux	5,400	
Bekaert B.	4,660	
Ciment CBR	2,507	+5
Cockerill	303	+1
Delhaize	5,650	
EBES	2,890	+35
Electrobel	7,260	−10
Fabrique Nat	2,105	+5
GB Inno BM	3,380	−40
GBL (Brux)	2,400	+5
Gevaert	3,550	−40
Hoboken	5,820	−120
Intercom	2,260	−35
Kredietbank	7,200	−280
Pan Hldgs.	10,300	+100
Petrofina	7,580	+80
Royale Belge	9,400	
Soc. Gen. Banq.	3,230	−35
Soc. Gen. Belge	1,880	−10
Sofina	7,110	
Solvay	4,445	+5
Tractionel	4,120	
UCB	5,490	+30
Vieille Mont.	4,700	−30

DENMARK

Sept. 18	Price Knr %	+ or —
Aarhus Olie	445	
Andelsbanken	239	
Baltic Skand	650	
CopHandelsbank	252	
D. Sukkerfab	635	
Danske Bank	245	
East Asiatic	162	
Forenede Brygg	850	
Forenede Damp	65	
GNT Hldg	415	
I.S.S.B.	405	
Jyske Bank	468	
Novo Ind.	1,275	
Privatbanken	221	
Provinsbanken	310	
Smidth (F.)	211	+2
Sophus Berend	935	
Superfos	457	+12

FRANCE

Sept. 18	Price Frs.	+ or —
Emprunt 4½% 1975	1,710.1	−9.9
Emprunt 7% 1973	9,001	−2
CNE 3%	3,670	−12
Air Liquide	539	−13
BIC	458	−10
Bouygues	636	−4
BSN Gervais	2,520	−52
CIT-Alcatel	1,180	−5
Carrefour	1,580	−30
Club Mediter'n	1,026	+6
CFAO	652	−9
Cie Bancaire	670	+3
Cofimeg	220	−5
Darty	1,060	−10
Dumez S.A.	704	−6
Eaux (Cie Gen)	520	−5
Elf-Aquitaine	232.1	−2.4
Gen. Occidentale	689	+4
Imetal	90.7	+0.8
Lafarge Coppee	339	−2
L'Oreal	2,513	−37
Legrand	1,968	−12
Maisons Phenix	193	
Matra S.A.	1,595	−22
Michelin B	874	−2
Midi (Cie)	1,680	−32
Moet-Hennessy	1,751	−7
Moulinex	97.2	−2.4
Nord Est.	54.4	+2.1
Pernod Ricard	798	+2
Perrier	602	−5
Petroles Fra.	216	−1.9
Peugeot S.A.	224	
Poclain	52.1	−0.6
Printemps Au.	156.5	+0.5
Radiotech	214	+3.7
Redoute	1,190	+15
Roussel-Uclaf	1,490	+5
Sefimeg	248	
Skis Rossignol	1,445	
Telemech. Elect.	1,840	+20
Thomson-CSF	453	−6
Valeo	245	−4

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. Dealings suspended. xd Ex Dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

GERMANY

Sept. 18	Price Dm.	+ or —
AEG-Telef.	105	+2.3
Allianz Vers.	995	+26
BASF	167.5	+1.4
Bayer	171.8	+1.3
Bayer-Hypo	886	+5
Bayer-Verein	323	+7.5
BHF-Bank	254	+2
BMW	398	+12.8
Brown Boveri	208.5	+2.5
Commerzbank	166.7	+5.5
Cont'l. Gummi	134.3	+2.6
Daimler-Benz	587.5	+32.5
Degussa	371.2	+6.8
D'sche Babcock	170.2	+1.7
Deutsche Bank	355.9xr	+8.9
Dresdner Bank	170.2	+8.7
GHH	166.7	+4.2
Hochtief	485	
Hoechst	174	+2
Hoesch Werke	100	
Holzmann (P.)	386	−10
Horten	177.5	+4.5
Kali und Salz	238.5	+0.8
Karstadt	247.5	+7.5
Kaufhof	229	+3
KHD	255.5	+3.6
Kloeckner	63	−0.6
Krupp	80	−2
Linde	386	+12
Lufthansa	162.8	+0.8
MAN	158	+2.5
Mannesmann	156.8	−1.8
Mercedes Hld.	520	+17
Metallgesell.	222	+4
Muench Rueck	1,181	+6
Preussag	252.5	+1
Rhein West Elect	165.3	+2.3
Rosenthal	248	+2.5
Schering	403	+20
Siemens	414.8	+4.3
Thyssen	81	
Varta	176	+1
Veba	168.8	+1
V.E.W.	120	+0.1
Verein-West.	295	+1
Volkswagen	174	+3.2

ITALY

Sept. 18	Price Lira	+ or —
Banca Com'le	17,125	+275
Bastogi-IRBS	144	+3
Centrale	1,825	−6
Credito Varesino	3,550	+81
Fiat	1,786	
Finsider	38.75	−0.25
Generali Assicur	32,250	+450
Invest	2,780	+15
Italcementi	50,000	+800
Montedison	1,172	+9
Olivetti	6,880	+66
Pirelli Co	3,015	+15
Pirelli Spa	1,775	+45
Snia BPD	1,848	+38
Toro Assic	11,790	+190
do. Pref	8,820	+210

NETHERLANDS

Sept. 18	Price Fls	+ or —
ACF Holding	192	+7
AEGON	133	+3.5
Ahold	198.5	+2
AKZO	26.8	+2
ABN	311	+10
AMEV	177.3	+5
AMRO	61	+2.8
Bredero Cert.	166	+6
Bos Kalis Westm.	15.8	−0.2
Buehrmann-Tet	68	+0.5
Calland Hldgs.	30.7	+0.6
Credit Lyon'is Bk	64	+1.9
Elsevier-NDU	98.4	+1.6
Gist Brocades	172	+2.3
Heineken	140	+1.6
Hoogovens	59.3	+1.3
Hunter Douglas	31	−1
Int Mueller	39.4	+0.8
KLM	186.3	+1.3
Naarden	43.7	+0.7
Nat Ned Cert	233	+2
Ned M'd Bank	141.8	+4.3
Nedlloyd	147.8	+1.6
Oce Grinten	256.5	+5
Ommeren (Van)	26.2	+1.1
Pakhoed	60.9	+0.9
Philips	54.9	+0.3
Rijn-Schelde	1.5	−0.1
Robeco	67.2	+0.3
Rodamco	133.2	+0.4
Rolinco	64.9	+0.2
Rorento	208	+1.3
Royal Dutch	173.4	+2.4
Unilever	288.5	+5.5
VMF Stork	130	−0.6
VNU	178.7	−8.2
West Utr Bank	91.7	+0.1

NORWAY

Sept. 18	Price Kroner	+ or —
Bergens Bank	148	−0.5
Borregaard	299	−1
Christiania Bank	149	−1
DenNorske Cred	149	....
Elkem	134	−1
Norsk Data	340	+10
Norsk Hydro	635	−3
Storebrand	122	−5

SPAIN

Sept. 18	Price Pts%	+ or —
Bco Bilbao	354	+3
Bco Central	362	+2
Bco Exterior	210	+2
Bco Hispano	246	+4
Bco Santander	325	−1
Bco Vizcaya	409	−1
Dragados	178	−1
Hidrola	76.5	+2.8
Iberduero	80	+1
Petroleos	166.5	−3.5
Telefonica	102	+1

SWEDEN

Sept. 18	Price Kroner	+ or —
AGA	346	−5
Alfa-Laval	207	+8
ASEA (Free)	400	
Astra (Free)	475	−5
Atlas Copco	105	
Boliden (Free)	380	+5
Cardo (Free)	275	−12
Cellulosa	121	−1
Electrolux B	241	−2
Ericsson	355	−1
Esselte	305	−5
Mo Och Domsjo	300	−5
Pharmacia	215	−5
Saab Scania Free	640	....
Sandvik	405	
Skandia	319	−6
Skan Enskilda	58.5	−1.5
SKF	163	−3
St Kopparbergs	175	+2.5
Sven Handlesbn.	177	....
Swedish Match	223	−3
Volvo B (Free)	236	−3

SWITZERLAND

Sept. 18	Price Frs.	+ or —
Alusuisse	780	−10
Bank Leu	3,600	
Brown Boveri	1,350	+20
Ciba Geigy	2,480	
do. (Part Certs)	1,950	+15
Credit Suisse	2,145	−6
Elektrowatt	2,660	−25
Fischer (Geo.)	607	+4
Genevoise	3,470	......
Hoff-RochePtCts	83,500	+250
Hoff-Roche 1/10	9,325	....
Jacobs Suchard	6,025	....
Jelmoli	1,890	
Landis & Cyr	1,455	−5
Nestle	5,300	
Oer-Buehrle	1,235	−5
Pirelli	260	+1
Sandoz (Br)	6,625	+75
Sandoz (PtCts)	1,078	+88
Schindler (PtCts)	570	
Swissair	965	−15
Swiss Bank	334	+2
Swiss Reinsce	7,550	−100
Swiss Volksbk	1,340	−5
Union Bank	3,390	+5
Winterthur	2,250	
Zurich Ins.	17,025	

AUSTRALIA

Sept. 18	Price Aust $	+ or —
ANZ Group	4.7	
Acrow Aust	1.6	
Alliance Oil Dev.	0.94	−0.01
Ampol Pet.	1.65	−0.05
Aust Cons Ind.	1.83	−0.02
Aust. Guarantee	2.99	+0.1
Aust. Nat. Inds	2.33	−0.02
Aust. Paper	2.24	−0.01
Bell Group	4.45	−0.05
Bond Corp Hldgs	1.46	−0.04
Boral	3.80	+0.03
Bougainville	1.62	−0.04
Brambles Inds.	3.10	−0.1
Bridge Oil	2.7	
B.H. Prop.	10.0	−0.3
CRA	4.78	−0.4
CSR	3.10	−0.05
Carlton Utd	4.30	
Castlemaine Tys.	4.45	
Coles (G.J.)	3.53	−0.02
Comalco "A"	2.12	−0.06
Consolidated Pet	0.43	−0.01
Costain Aust	1.5	
Dunlop Aust.	1.87	−0.12
E.Z. Inds.	6.1	
Elders IXL	3.88	−0.02
Energy Res.	1.56	

AUSTRALIA (continued)

Sept. 18	Price Aust. $	+ or —
Gen Prop Trust	3.18	−0.03
Herdic (James)	3.2	−0.08
Hartogen Energy	2.3	
Herald W'yTimes	3.6	
ICI Aust.	2.08	−0.02
Jimberlana F.P.	0.27	
Kia Ora Gold	0.15	
Lend Lease	6.06	+0.04
MIM	2.65	−0.07
Mayne Nickless	1.82	−0.02
Meekatharra	0.72	
Myer Emporium	1.82	+0.01
Nat. Com. Bk	3.3	−0.04
News	10.00	−0.11
Nicholas Kiwi	4.25	
North Bkn Hill	2.15	−0.02
Oakbridge	0.84	+0.01
Otter Expl.	0.42	−0.01
Pancont'l	1.25	
Pioneer Conc.	1.56	−0.02
Queensland Coal	1.16	−0.01
Reckitt & Coln.	1.85	
Repco	1.18	−0.02
Santos	6.74	−0.06
Smith (Howard)	3.85	−0.1
Southland Min'g	0.29	+0.01
Spargos Expl	0.4	
Thos. Natwide	1.73	−0.03
Tooth	5.60	
Vamgas	3.75	+0.08
Western Mining	3.08	−0.08
Westpac Bank	3.7	
Woodside Petrol	1.23	−0.04
Woolworths	2.42	−0.02
Wormald Intl	2.76	−0.04

HONG KONG

Sept. 18	Price H.K.$	+ or —
Bank East Asia	21.2	+0.4
Cheung Kong	8.15	
China Light	13	+0.2
Hang Lung Devel	2.3	
Hang Seng Bank	34.25	+1.00
HK Electric	6.10	+0.1
HK Kowloon Wh.	5.80	+0.05
HK Land	2.9	
HK Shanghai Bk.	6.50	+0.05
HK Telephone	44.50	+0.5
Hutchison Wpa.	12.10	+0.8
Jardine Math.	8.8	
New World Dev.	3.40	+0.1
Orient O'seas	2.55	−0.02
Ocean Trust Bk	3	
SHK Props	6.7	+0.15
Swire Pac A.	17.3	−0.1
Wheel'k Mard A.	3.77	+0.07
Wheel'k M'time	1.9	
World Intl. Hldgs.	2.25	−0.02

JAPAN

Sept. 18	Price Yen	+ or —
Ajinomoto	1,190	−10
Alps Electric	2,350	−50
Amada	1,310	
Asahi Chem	547	−3
Asahi Glass	820	−11
Bridgestone	680	+20
Canon	1,360	−20
Casio Comp.	1,480	−10
Chugai Pharm	996	+5
Citizen	580	+25
Daiei	625	−15
Dai Nippon Pts	999	−1
Daiwa House	506	−4
[illegible]	[illegible]	[illegible]

JAPAN (continued)

Sept. 18	Price Yen	+ or —
MHI	229	−2
Mitsui Co	324	−1
Mitsui Estate	650	
Mitsukoshi	370	−1
NGK Insulators	870	−12
Nihon Cement	207	
Nippon Denso	1,540	−40
Nippon Elect.	1,370	−10
Nippon Express	305	−3
Nippon Gakki	965	
Nippon Kokan	140	+1
Nippon Oil	904	
Nippon Seiko	520	
Nippon Shimpan	630	−1
Nippon Steel	152	−1
Nippon Suisan	319	−1
NTV	12,500	−200
Nippon Yusen	225	−3
Nissan Motor	608	−2
Nisshin Flour	425	−5
Nisshin Steel	171	−1
Nomura	720	−5
Olympus	1,130	−30
Orient Leasing	3,570	−10
Pioneer	2,710	−10
Renown	623	
Ricoh	985	−21
Sankyo	830	−5
Sanyo Elect.	609	−7
Sapporo	378	−3
Sekisui Prefab	686	+20
Seven-Eleven	8,690	−10
Sharp	1,140	−10
Shimadzu	603	−22
Shionogi	671	−1
Shiseido	1,150	−20
Sony	3,720	−50
Stanley	833	−16
S'tomo Bank	910	−28
S'tomo Elect	895	
S'tomo Marine	407	−9
S'tomo Metal	157	+2
Taihei Dengyo	473	
Taisei Corp	204	−1
Taisho Pharm	934	+9
Takeda	750	−8
TDK	5,550	+20
Teijin	400	−4
Teikoku Oil	674	−1
Tokyo Marine	602	−7
TBS	785	+10
Tokyo Elect Pwr.	1,170	−20
Tokyo Gas	147	
Tokyo Sanyo	712	−3
Tokyo Style	735	−9
Tokyu Corp.	272	−5
Toppan Print	850	+10
Toray	416	−4
Toshiba Elect.	472	−3
TOTO	605	+8
Toyo Seikan	781	−8
Toyota Motor	1,380	−40
Victor	2,390	−20
Wacoal	780	+20
Yamaha	673	−2
Yamanouchi	1,470	−10
Yamazaki	655	−15
Yasuda Fire	286	−2
Yokogawa Bdge.	420	−1

SINGAPORE

Sept. 18	Price $	+ or —
Boustead Hldgs.	2.06	−0.04
Cold Storage	3.2	
DBS	7.95	−0.05
Fraser & Neave	5.6	−0.05
Genting	5.35	−0.05
Haw Par. Bros.	8.14	−0.02
Inchcape Bhd.	2.8	
[illegible]	[illegible]	[illegible]

SOUTH AFRICA

Sept. 18	Price Rand	+ or —
[illegible]	[illegible]	[illegible]

CANADA

TORONTO

Closing prices September 18

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONTREAL

Closing prices September 18

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON

Chief price changes

(In pence unless otherwise indicated)

RISES

AGB Research	302	+17
Cadbury Schw	137	+4
Dowty	179	+5
Fisons	520	+7
Henriques (A.)	88	+8
Kenning Motor	112	+6
Low & Bonar	221	+6
Meggitt	51	+5
Pittard	91	+5
Pr of Wales Hot.	120	+20
Geo. Scholes	345	+22
Taylor Woodrow	334	+8
Turner & Newall	94	+6
Wigfall (H.)	135	+8
VG Inst.	242	+8
Bryson O & G	355	+17
Eglinton O & G	145	+20
Shell Trans	667	+7

FALLS

Trans. 3 1978/88	£77¼	−½
Trs. 12½ 2003-05	£117⅛	−⅛
Airship Inds.	7	−3½
Matthews (B.)	230	−20
Redland	282	−8
Stag Furniture	69	−6
Tarmac	446	−10
Walker (Alfred)	10	−6
Cons. G Fields	474	−9
RTZ	585	−8

Continued on Page 36

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 27

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

Implications of deteriorating pound again worry Gilts but prices close above worst

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Sept 3	Sept 13	Sept 14	Sept 24
Sept 17	Sept 27	Sept 28	Oct 8
Oct 1	Oct 11	Oct 12	Oct 22

* " New-time " dealings may take place from 9.30 am two business days earlier.

All eyes were on the deteriorating sterling exchange rate in London yesterday. Its continued free-fall against the dollar, and some other major currencies, made Gilt-edged traders particularly apprehensive. Fears were resurrected about the effects of a weak pound on UK interest rates, and the threat it might pose to Government economic policies.

Rates for longer term credit improved quite noticeably, exerting fresh downward pressures on Government stocks. As investors played the game of sterling watching, losses among longer-dated Gilts stretched to a point before the exchange rate rallied a cent from a low of $1.2160 yesterday.

Bear closing and professional book squaring then took quotations away from the lowest points with the emphasis on short-dated stocks. Falls in this area were finally reduced from ⅜ to only ⅛: the low coupon stock, Transport 3 per cent 1978-1988 was an exception and closed ¼ down at 77¼. The longs eventually followed, but still settled with falls extending to ⅜. Last month's higher-than-expected PSBR figure had little lasting impact on market sentiment.

Equities again refused to follow the Gilt-edged trend. Some leading shares benefited from isolated American support, while companies with overseas earnings potential attracted domestic buying interest. Suggestions that the economic recovery could tail off next year failed to disturb investors.

Speculative enthusiasm waned but Jaguar, the recently privatised motor manufacturer, continued to enjoy persistent support; rumours abounded of a possible warehousing operation until such time as U.S. investors are allowed to purchase stock. Throughout the day, the FT Industrial Ordinary share index displayed marginal movements in both directions before closing a point easier on balance at 858.0.

Lloyds brokers firm

Business in the Insurance sector remained in low key, but Lloyds brokers attracted support on overseas earnings considerations. Stewart Wrightson rose 5 to 415p and Willis Faber improved 10 to 895p, while USM-quoted Dewey Warren gained 4 to 147p. C. E. Heath were a couple of pence dearer at 487p and Sedgwick 3 firmer at 277p.

The major clearing banks displayed small irregular movements at the close, after having been easier. Barclays finished 5 dearer at 483p, but Lloyds settled 4 lower at 473p. Midland were a touch better at 325p and NatWest unchanged at 426p. Sterling's weakness prompted support for Australian banks. ANZ rose 10 to 318p and National Commercial Bank Australia 7 to 225p.

Among recently-issued equities, Jaguar continued to attract a lively business and moved up to its highest level yet of 190p prior to closing 3 dearer on balance at 187p.

The two newcomers to the Unlisted Securities Market both made satisfactory debuts. Toy and leisure products group Fergabrook, placed at 74p, opened at 78p and closed at 80p, while Paul Michael Leisurewear settled at 33p, compared with the placing price of 30p.

H. P. Bulmer, the cider makers, remained a nervous market and dipped to 175p as speculative holders continued to liquidate bull positions; at the lower levels, however, support developed and the shares rallied to settle only 5 off on balance at 178p.

Sellers appeared of Building Material issues and dealers were quick to lower values. Worst hit were Redland which fell 8 to 262p, while Tarmac gave up 10 to 446p on second thoughts about the interim results. Blue Circle lost 4 to 408p and RMC shed 6 to 364p, while BPB Industries declined 7 to 268p. Among Construction issues, Barratt Developments, a depressed market for some time because of the adverse publicity surrounding timber framed housing, rallied a couple of pence to 88p, after 92p, following the annual results which were judged as satisfactory. Taylor Woodrow were the subject of American buying and rose 8 to 333p, while old takeover favourite Ward Holdings firmed 3 to 139p in response to Press mention. Occasional buying ahead of tomorrow's interim results left John Laing a couple of pence dearer at 213p. Travis and Arnold, half-timer due next Monday, firmed 4 to 294p.

ICI met with renewed U.S. demand and touched 646p before easing back on early Wall Street influences to close 2 cheaper on balance at 636p. Laporte, a dull market on Monday following the fire at its Interox UK site in Warrington, rallied 5 to 335p; the interim results are due tomorrow. Brent Chemicals shaded to 96p following the half-year figures; the chairman confirmed that the company now holds a near 5 per cent stake in chemicals and electronic components concern William Canning, 4 off at 117p. Elsewhere, Allied Colloids attracted fresh demand and gained 4 to a 1984 peak of 199p.

Pittard wanted

Shoes and leather issues, a relatively buoyant sector of late, found a new favourite in Pittard which advanced to 95p before settling for a net gain of 5 at 91p following the increased interim profits and dividend. Elsewhere, however, prices succumbed to sporadic profit-taking. Strong and Fisher shed 5 at 165p, while Styin eased a couple of pence to 118p. A "sell" recommendation clipped 7 from Lambert Howarth at 173p.

The continued paucity of institutional activity was reflected in leading Retailers which closed a shade easier for choice. An exception was provided by House of Fraser which touched 268p in response to the better-than-expected interim results but finally closed only 2 dearer on balance at 266p; investors' attentions appeared to be centred on the annual meeting scheduled for September 28, and Lonrho's latest statement only served to heighten anticipation. Lonrho hardened the turn to 145p.

Secondary Stores were irregular. A number of speculative favourites attracted fresh demand with Samrie Clothes 5 better at 68p and Arthur Henriques 8 up at 68p, the latter in belated response to newsletter comment. Henry Wigfall were wanted and improved 8 to 135p on vague talk of a bid from Philips Lamps, but Alfred Preedy encountered profit-taking and eased a few pence at 110p.

Resisting the easier trend apparent among other Electrical leaders, Plessey put on 8 further to 216p. Elsewhere, George H. Scholes featured a rise of 22 to 345p in response to the increased annual dividend and profits. Still reflecting Press mention, VG Instruments rose 8 more to 242p. Pressac rallied smartly from 175p to close only 4 cheaper at 181p.

Engineers passed a subdued trading session. Among the occasional bright spots, Bullough met with late support and put on 15 to 360p. Speculative demand left Meggitt 5 dearer at 51p, while country buying prompted a rise of 6 to 110p in Evered. Birmid Qualcast, still reflecting bid hopes, hardened a penny further to 87p. Leading issues were inclined easier, where altered.

Among Foods, Cadbury Schweppes drew American support and rose 4 to 137p, but bid favourite Rowntree Mackintosh encountered further profit-taking ahead of tomorrow's interim results and shed 6 for a two-day fall of 14 to 334p. Retailing groups lost ground on lack of support and J. Sainsbury fell 6 to 278p. Associated Dairies slipped 4 to 168p, while Tesco softened a couple of pence to 193p. Secondary issues displayed a dull feature in Bernard Matthews which slumped to 225p prior to closing a net 20 down at 230p following disappointing interim figures. British Vending Industries continued to respond to an investment recommendation and moved up to a 1984 peak of 37p before settling 2 dearer on balance at 35p.

Hotels were enlivened by the bid approach to Prince of Wales Hotels, which advanced strongly to 135p prior to closing a net 20 up at 120p. Press comment stimulated interest for Norfolk Capital, up a penny at 18p.

Fisons below best

Leading miscellaneous industrials held up reasonably well until the late dealings. Quotations then tended to ease a few pence or so in line with the early setback on Wall Street yesterday. Against the trend, Glaxo finished 7 higher at 975p, after 980p, and Hanson Trust, reflecting its U.S. earnings potential, stood out with a rise of 9 to 238p. Elsewhere, Fisons closed 7 to the good at 233p, after 238p, following interim figures at the top end of market expectations. AGB Research came to life with a rise of 17 to 302p in a difficult market, but Stag Furniture, down 6 at 68p, reflected the sharply lower mid-term earnings. Renewed demand left Smith and Nephew 6 up at 215p, while Turner and Newall were noteworthy for a similar rise, to 94p. Spring Ram improved 5 more to 230p, still on the interim figures and proposed scrip issue, but Airship Industries ran back 3½ to 7p after the previous day's speculative flurry. Low and Bonar closed 6 higher at 222p, after 224p, following details of of the issue to Canadian investors of shares in Bonar Inc. Still reflecting lower half-year profits, Oriflame eased 15 more to 750p.

Motor and aircraft components were irregular. Dowty, firm last week following brokers' "buy" recommendations, attracted fresh demand and rose 5 to a 1984 peak of 179p. Armstrong Equipment hardened a fraction to 31p in front of today's preliminary figures. Lucas, reacted on sporadic profit-taking to finish 3 off at 224p. Flight Refuelling dipped 5 to 268p. Distributors featured revived interest for Kenning, which advanced 6 to 112p amid takeover speculation, while British Car Auction rallied a few pence to 90p.

Movements in the Property leaders were confined to a few pence either way. Elsewhere, M. P. Kent found support and gained 3 to 49p in contrast with Alfred Walker, which fell 6 to 70p in a restricted market following poor annual results.

The authorities' moves to allow banks to increase the maximum permitted holding in money broking concerns from 5 to 10 per cent prompted a firmer tone in Mercantile House, 7 up at 314p, and Exco International, 3 firmer at 483p, after 496p. R. P. Martin rose 10 to 300p.

Shell firmer

News of an encouraging oil discovery off the coast of China prompted good support for Shell, 7 firmer at 667p, Royal Dutch, ½ up at £40⅛ and Ranger Oil, which moved up 25 to 541p. Tricentrol, also involved in drilling in the Far East, hardened 3 more to 218p with the shares additionally boosted by news of a further oil flow from the Talisman well off the coast of Western Australia.

BP continued to draw strength from the increase in forecourt petroleum product prices and closed 5 up at 500p. Clyde highlighted secondary issues, and moved up 4 to 110p, after 113p, following the interim results. Jebsens Drilling remained a firm market and put on 3 more to 153p ahead of the half-year figures expected on Wednesday.

Elsewhere, Irish issues attracted renewed speculative interest with Bryson touching 383p prior to closing a net 17 higher at 355p and Eglington finally 20 better on balance at 145p.

Cons. Gold easier

Mining markets staged a modest recovery after the recent uncertainty regarding the strike by black mineworkers in South Africa. Rumours that most black workers had returned to work yesterday coupled with a firm showing by the bullion price encouraged persistent small buying. Prices rose throughout the list and most gold issues closed with modest gains on balance. The Gold Mines index showed a 4.8 rise at 514.5.

Among leading Golds, Vaal Reefs were prominent and closed £1 firmer at £73½, while Randfontein were a like amount better at £86½. Other good performers in Golds included Winkelhaak, £27½, Free State Geduld, £24¼, and President Steyn, £30½, all of which rose around a half point.

Loraine were a lone weak spot in cheaper-priced issues and dropped 10 to 260p following the chairman's warning of the adverse impact of the weak rand against the dollar.

London Financials were highlighted by Consolidated Gold Fields which dipped 9 to 474p following preliminary results at the lower end of market expectations. Rio Tinto-Zinc, scheduled to announce interim figures today, slipped back in sympathy and closed 8 off at 585p. Charter Consolidated were finally 4 easier at 233p.

South African Financials gained ground in line with Gold. Amgold moved up almost a point to £73½, while De Beers added 4 at 412p and Anglo American Corporation ⅛ at £10⅛. Minorco held at 610p; the full-year results are due on Wednesday.

In Platinums, Impala gave up 27 to 985p ahead of the annual report.

Australians were marked down at the outset, reflecting the renewed weakness in overnight domestic markets, but subsequently rallied strongly on widespread support from London and overseas sources to close with modest gains on balance. Among the leaders, CRA and Poko-Wallsend added 4 apiece at 322p and 314p respectively.

Demand for Traded Options held up well with total contracts struck yesterday amounting to 4,199-3,248 calls and 951 puts. Jaguar attracted steady support, much of which stemmed from American sources and recorded 786 calls, 376 in the September 180's, 6 up at 31p, and 114 puts. ICI and Bats recorded 232 and 209 calls respectively, the latter's first-half results are expected at 9.30 am today. The FTSE 100 Index contributed 514 calls and 332 puts.

FINANCIAL TIMES STOCK INDICES

	Sept. 18	Sept. 17	Sept. 14	Sept. 13	Sept. 12	Sept. 11	Year ago
Government Secs ...	78.45	79.97	80.29	80.26	80.15	80.20	81.86
Fixed Interest ...	82.91	83.22	83.29	83.26	83.21	83.11	83.86
Industrial Ord....	858.0	859.0	852.4	862.8	857.6	858.0	705.9
Gold Mines ...	514.5	509.7	514.0	512.1	521.4	515.7	653.1
Ord. Div. Yield...	4.87	4.87	4.87	4.87	4.85	4.85	4.85
Earnings, Yld.% (full)	11.61	11.60	11.52	11.60	11.60	11.62	8.57
P/E Ratio (net) (*)...	10.55	10.56	10.37	10.56	10.56	10.37	15.06
Total bargains (Est.)	18,116	16,531	18,637	15,502	16,121	16,576	20,684
Equity turnover £m.	—	230.22	368.78	321.20	288.58	236.42	166.57
Equity bargains ...	—	16,359	19,145	15,491	13,973	13,358	16,438
Shares traded (ml) ...	—	124.8	206.3	178.2	162.1	140.4	111.8

10 am 857.8. 11 am 857.4. Noon 857.2. 1 pm 857.6. 2 pm 859.6. 3 pm 859.2.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

Nil=8.93.

HIGHS AND LOWS — S.E. ACTIVITY

	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs	83.77 (9/1)	75.72 (30/7)	127.4 (9/1/35)	49.48 (3/1/75)
Fixed Int ...	87.48 (14/3)	80.43 (30/7)	166.4 (28/11/47)	66.65 (3/1/75)
Ind. Ord....	922.8 (3/5)	755.3 (23/7)	922.6 (3/5/84)	49.4 (26/6/40)
Gold Mines	711.7 (9/3)	485.7 (1/8)	734.7 (15/2/83)	43.5 (26/10/71)

	Sept. 17	Sept. 14
Daily Gilt Edged Bargains ...	129.6	155.7
Equities Bargains ...	166.6	124.6
Value ...	465.3	745.4
5-day Average Gilt Edged Bargains ...	135.3	135.5
Equities Bargains ...	101.5	97.
Value ...	584.2	662.1

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (148)

AMERICANS (54)
CANADIANS (8)
BANKS (2)
BREWERS (1)
CHEMICALS (2)
ELECTRICALS (10)
ENGINEERING (2)
FOODS (6)
HOTELS (1)
INDUSTRIALS (16)
INSURANCE (4)
LEISURE (1)
MOTORS (1)
PAPER (2)
PROPERTY (8)
SHIPPING (7)
SHOES (1)
TOBACCOS (1)
TRUSTS (27)
OILS (2)
PLANTATIONS (2)

NEW LOWS (23)

STORES (1)
Northern Goldsmiths
ELECTRICALS (1)
Systems Reliability
ENGINEERING (2)
Haden, Hall Engineering
INDUSTRIALS (9)
BOC, Redfearn Natl. Glass, Delaney, Sharna Ware, Fogarty, Sonesson (W.), Hargreaves, Stag Furniture, Henara
LEISURE (2)
Campari Internatl., Sangers Photo's
SOUTH AFRICANS (2)
SA Breweries, Tongaat-Hulett
TRUSTS (1)
Centreway Trust
MINES (3)
Grootvlei, Loraine, Marievale, Wankie Colliery, Zandpan

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section.

	Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon Sept 17 Index No.	Fri Sept 14 Index No.	Thur Sept 13 Index No.	Wed Sept 12 Index No.	Year ago (approx.) Index No.
Tues Sept 18 1984	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Tues Sept 18	Day's change %	Mon Sept 17	xd adj. today	xd adj. 1984 to date
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS — BRITISH GOVERNMENT INDEX-LINKED STOCKS

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 66,394

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

[illegible]

Sept. 18. Total Contracts 4,199 Calls 3,248. Puts 951. * Underlying security price.

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. § Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. || Allotment letters (or fully-paid). ‖ Introduction. ✝ Unlisted Securities Market. ‡ Placing price. † Units comprising 5 Ord. 61 nom 12 pc Cnv.Una.Ln. 95, 2000. T Figures Assumed.

RISES AND FALLS YESTERDAY

[illegible]

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Barratt Devs	88	+2
Cadbury Schweppes	137	+4
Cons Gold Fields	474	-9
ICI	636	-2
Hanson Trust	238	+9
Jaguar	187	+3
Jaguar New	[illegible]	[illegible]
Low and Bonar	222	+6
Prince of Wales Hotel	120	+20
Redland	262	-8
RTZ	585	-8
Shell Transport	667	+7

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Sept 10	Sept 21	Dec 6	Dec 17
Sept 24	Oct 5	Dec 20	Dec 31
Oct 8	Oct 19	Jan 3	Jan 14

For rate indications see end of Share Information Service

Sept 24	Oct 5	Dec 20	Jan 7
Oct 8	Oct 19	Jan 10	Jan 21

Stocks favoured for the call included Fleet Holdings, Marley, Birmid Qualcast, Eglinton Oil and Gas, Brystan, Tuskar, Atlantic Resources, North Kalgurli, Samson, Jaguar, Polly Peck, Bristol Oil and Minerals, Immediate Business Systems, Brunswick Oil, Brockware, Lasmo, Black Hill Minerals and Eastern Petroleum. No puts or doubles were reported.

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Thorn EMI	[illegible]	[illegible]	[illegible]
Jaguar New	[illegible]	[illegible]	[illegible]
NatWest Bk N	[illegible]	[illegible]	[illegible]
Martin (R. P.)	[illegible]	[illegible]	[illegible]
BP	[illegible]	[illegible]	[illegible]
Bulmer (H. P.)	[illegible]	[illegible]	[illegible]
Airship Inds	[illegible]	[illegible]	[illegible]
GEC	[illegible]	[illegible]	[illegible]
Glaxo	[illegible]	[illegible]	[illegible]
Midland Bank	[illegible]	[illegible]	[illegible]
Shell Trans	[illegible]	[illegible]	[illegible]
V. W. Thomas	[illegible]	[illegible]	[illegible]
Walker (Thos)	[illegible]	[illegible]	[illegible]

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BEERS, WINES—Cont.

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
95	65	Marley	84	.....	13.2	2.5	5.4	9.4
58½	40	Marling Ind 10p	52	.....	0.30	5.6	3.6	6.1
46	29	Marshall L ny. 'A'	40	+1	1.2	1.6	4.3	17.1
54	37	Marshall's Univ	44	−2	H1.75	—	5.7	11.2
81	78	Do. 7½pc Cr Red Pf £1	78	.....	7½%	—	13.7	—
30	20	Martin-Black	22	.....	—	—	—	—
£100	£88	Mattesons 1¼%	£95	.....	Q7¼%	2.3	18.2	—
378	287	Metal Box £1	324	−4	15.0	3.0	6.6	5.5
220	129	Metal Closures	158xd	.....	8.3	2.3	5.2	10.8
27	11	Metal Sciences 2½p	16	.....	—	—	—	—
19	8	Mezzanine Lentique	10½	.....	0.01	—	—	—
133	03	Midland Marts	95	.....	4.0	1.8	6.0	12.0
60½	45	Mitchell Cotts	58½	+½	3.67	1.0	8.9	13.4
29	13	Moben Grp 1o.	14	.....	140.5	2.5	5.1	8.8
168	132	Morgan Crucible	158	−3	17.5	1.2	6.9	15.6
18½	13½	Morris (W) Fine Arts	17	.....	bg0.25	4.8	2.1	15.6
95	00	Moss (Robt.) 10p	95	.....	2.5	2.9	3.0	11.3
330	197	NMW Computers	290	.....	6.0	3.0	3.0	16.2
65	45	Nash Inds.	50	.....	4.0	2.2	11.4	5.8
47	30	Neil & Spencer 10p	36	+2	—	—	—	15.5
33	16	Newman Industs	23	+2	—	—	—	12.9
31	16½	Do. 10pc Cnv.Cnv.Pf.	23½	.....	10%	—	6.1	—
67	43½	Norton	45	.....	1.0	2.9	3.2	15.8
175	112	Norcros	161	.....	2.5	2.4	6.7	8.5
86	59	Nu-Swift 5p	65	.....	—	—	—	12.7
100	50	Oakwood Grp.	70	.....	1d6.5	—	‡	—
190	145	Office & Elect	167	+4	7.5	2.0	6.4	7.5
875	700	Oriflame Intl SA	750	−12	1053c	2.2	5.6	8.2
46	25	Ovenstone 12½c	27	.....	Q4.5c	2.2	8.5	5.3
£146	£120	Ozalid Fin. Cv.	£141	.....	Q9%	—	6.5	—
190	155	PCT Grp 10p	155	.....	bg4.8	ϕ	4.3	ϕ
£12½	£10½	PLM 'B' Sk 25	£10½	−¼	Q20%	—	4.4	7.1
62	45	Pacific Sales 10p	45	.....	b2.4	2.2	7.6	10.8
207	140	Parker Knoll 'A'	156	−1	8.5	3.0	7.8	5.8
265	197	Pauls	223	.....	0.5	2.0	5.4	0.1
590	403	Pearson	553xd	.....	114.0	3.8	3.6	11.0

INSURANCES

LEISURE

LEISURE—Continued

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
38	9							
137	104							
31½	14½							

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

OPTIONS — 3-month call rates

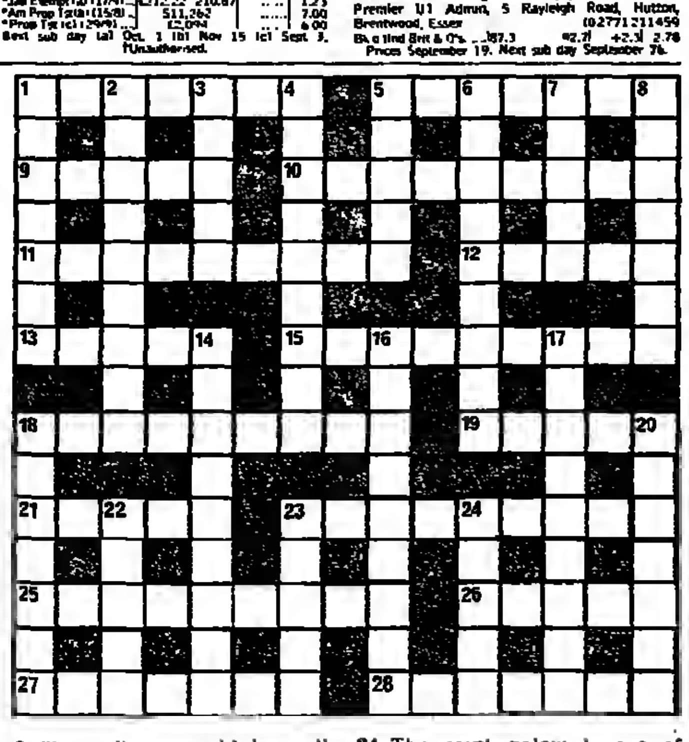
"Recent Issues" and "Rights" Page 31

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,521



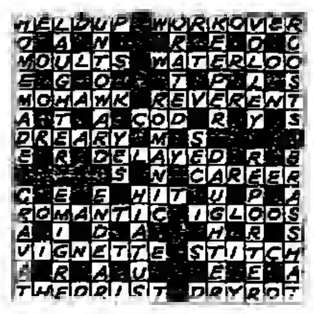
ACROSS

1 and 5 Do it to get near bid, lacking concentration (7-7)
9 Part baffled Emu (Rod Hull)? Raise objection (5)
10 Voting right (this is in country abroad) (9)
11 Team watches over the way crabs move (9)
12 Employers of tricky ruses (5)
13 Fly aloft taking in sign of the sun (5)
15 Aaa! curing trouble in American republic (9)
18 Our U.S. seat prepared for the bride (9)
19 Attorney's last letter produced bewilderment (5)
21 Approaches sound receiver between poles (5)
23 Member of fashionable group—a flier and composer (3-6)
25 A trip (upset) by the vault for venerable old man (9)
26 Money? It's poor round about (5)
27 and 28 Unclear alteration—we're in school, fuelled with modern energy (7-7)

DOWN

1 Followers of the marquis? (7)
2 Fleet endlessly upset by round. It's protected by plates (9)
3 Worth changing for east (5)
4 It's often looked up (9)
5 Brother, the idiot has cheek (5)
6 English court cad could be suitably equipped (9)
7 French town rises unconsciously (5)
8 These divers could be well down (4-3)
14 Showing opposition, is in uneasy surroundings (9)
16 Playing area on vessel for gaining favour? (9)
17 Volume of 4 for places (9)
18 Canned pint (net) associated with guys (4, 3)
20 Removed in performance and scorned (7)
22 Room being in sort of order? (5)
23 One of 12 in first part of 16? (5)
24 The joint below is out of order (5)

Solution to Puzzle No. 5,520



INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
Mallinhall Ltd				
36 Berkeley Sq, W1X 5DA 01-499 6634				
M'hall Mny Fd	10.00	10.39	Qtl	Call
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	10.24	10.57	6-mth	Call
7-day Fnd	10.57	10.93	6-mth	7-day
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd.	10.28	10.54	6-mth	Call
7-day Fund	10.69	10.97	6-mth	7-day
Money Mngt Acct.	10.12	10.52	3-mth	Call
Dollar	10.12	10.37	6-mth	2-day

Money Market Bank Accounts

	Nom	APR	Int Cr	Notice
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	10.375	10.78	Qtr	Call
Monthly Inc Chq Acc.	10.25	10.74	Mth	Call
Bank of Scotland				
30 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc	10.10	10.58	Mth	Call
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	10.25	10.65	Qtr	Call
Britannia Grp of Investment Companies				
29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	10.325	10.883	Mth	Call
Charterhouse Japhet plc				
1 Paternoster Row, EC4M 7DH 01-248 3999				
Sterling	10.128	10.61	Mth	Call
U.S. Dollar	11.0	11.73	Mth	Call
German Marks	5.0	5.19	Mth	Call
Swiss Francs	1.0	1.019	Mth	Call
Japanese Yen	5.00	5.19	Mth	Call
Choulartons				
30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011				
Cheque Acc	11.00	11.57	Mth	Call
Co-operative Bank				
78-80 Cornhill EC3 01-626 6543 Ex 464				
Cheque A Save	8.50	8.77	Qtr	Call
Over £1,000	10.00	10.38	Qtr	Call
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc	10.25	10.66	Qtr	Call
Lombard North Central PLC				
17 Bruton St, W1A 3DH 01-409 3434				
Notice Dep	10.75	11.04	Rate	14-day
M & G/Kleinwort Benson				
91-99 New London Rd, Chelmsford. 0245 51651				
High Int Cheque Acc.	10.20	10.85	Daily	Call
Midland Bank plc				
PO Box 2, Sheffield. 0742 20999 Ext 8735				
High Int Chq	10.00	10.38	Qtr	Call
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB. 0708 66966				
High Int. Std. Acc.	9.79	10.28	Daily	Call
Premier Acc.	9.39	10.28	Daily	Call
Tyndall & Co				
29-35 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc	10.30	10.92	Qtr	Call
Money Acc	10.50	10.93	Qtr	Chq 3
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827753				
Special Acc.	10.25	10.75	Mth	Call
Over £10,000	10.50	11.02	Mth	Call

NOTES:—Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. Dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. Z Previous day's price. § Guernsey gross. ø Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

Hopes of big EEC grain sales to Soviet bloc

BY JOHN EDWARDS, COMMODITIES EDITOR

THE EEC Commission will find out today whether some 3m tonnes of surplus grain from the Community have been sold to the Soviet Union and other Communist bloc countries in Eastern Europe without the benefit of any export subsidy.

Last week the Commission issued provisional licences authorising the export of 2.7m tonnes of grain to Russia, and a further 300,000 tonnes to other Comecon countries, with a zero restitution—in other words no export subsidy.

However, these licences are subject to sales being made and can only be taken up if the applicants can prove the relevant contracts have been concluded by a specified deadline—on this occasion today. The advantage of obtaining licences is that if sales contracts are concluded, permission to export is automatically granted.

For the Commission the prospect of exporting a large quantity of grain, without paying any export subsidy, is extremely appealing since it relieves pressure on a heavily-strained agricultural budget.

The feeling in the trade is that a large proportion, and possibly all, the licences granted last week will be taken up since the continued strength of the U.S. dollar has worked in the exporters' favour.

The strong dollar has brought world market grain prices into line with Community levels and made it possible, and profitable, to export without the aid of a subsidy that normally bridges the gap between the world market and EEC price levels.

An added advantage to the Commission is that if no subsidies are granted, the EEC no longer has to honour its informal agreement with the U.S. to confine its exports to 14 per cent of world trade in grain.

The Soviet Union is expected to increase its imports substantially this year, following another poor harvest now estimated at only 175m tonnes—65m tonnes below the official target. In contrast the EEC has a bumper harvest and a huge surplus of grain.

The four grain trading companies, including two French groups, who applied for the bulk of the licences must, therefore, be fairly confident of being able to conclude substantial sales to Soviet bloc countries.

Export credits concern

BY JOHN CHERRINGTON, AGRICULTURAL CORRESPONDENT

THERE IS considerable concern among farmers and the grain trade that the success of exporting a large part of the UK's grain crop will be jeopardised because of the impossibility of covering the sales through export credits.

They point out that the French have been very active in promoting grain exports and will grant credit up to 95 per cent of the value of the parcel via the export agency Cofac. Finance comes from Credit Agricole, the French farm bank, which is ultimately backed by the Government, although it represents money provided by the farmers themselves.

UK traders say that the Government is being unwise in refusing to support grain exports through credits, arguing that the alternative will be for the grain to be put into intervention.

This is financed by the UK Treasury and the money is only returned to Brussels once the grain is disposed of out of store. The Treasury argument is probably that the Community is a better credit risk than some grain-importing countries, and that, as long as the grain is in store, they hold the security.

The UK position could be serious before long. The harvest is believed to be more than 3m tonnes up on last year's.

Last year, 1.8m tonnes of wheat were exported, and to clear this year's harvest wheat exports will have to rise to at least 4.5m tonnes.

Meanwhile, the Home Grown Cereals Authority said yesterday that its regional offices received another 55,000 tonnes of feed wheat offers for intervention.

Turnround on London metal markets

HOPES OF a quick settlement of the strikes at General Motors plants in the U.S. brought a sharp turnround in the copper, lead and zinc markets on the London Metal Exchange.

Initially the markets were only slightly higher reflecting the further decline in the value of sterling. Three months higher grade copper traded at £1,034 before rallying strongly in the afternoon to close £17 up at £1,050.75 a tonne following the optimistic report from Detroit of new talks between General Motors and United Auto Workers Union representatives.

There was a similar turnround in lead and zinc. Three months zinc was down to £604 at one stage before advancing to £623.75 a tonne at the close, £20 up on the previous day. Cash zinc ended £22.50 higher at £629.50 a tonne.

Tin and nickel prices reached record levels in sterling terms, but tin lost most of the early gains, dropping by £150 in a matter of minutes, when sterling strengthened slightly.

● C. CZARNIKOW, London based commodity traders, confirmed yesterday that it was closing its representative office in Malaysia. The company said improved communications had made it unnecessary to maintain an office in Kuala Lumpur, but the closure would in no way affect its trading activities in Malaysia.

● INDIA expects to earn a record Rs 6,000m on tea exports in calendar 1984, up from 5,230m last year, despite an official export ceiling of 215m kilos, due to a firming of international prices, a Tea Board official said.

Poor seed hits Russian harvest

MOSCOW — A shortage of high-quality grain seeds has been a major cause of problems with the 1984 Soviet harvest and the outlook for next year is not good, the government daily Izvestia said.

It said quality problems were particularly acute in the Russian Federation, largest of the 15 republics and by far the biggest grain producer.

OLIVE OIL

Tunisia faces Community threat

BY A CORRESPONDENT

OVER 1m Tunisians who depend on olive oil for their livelihoods could face destitution when Spain and Portugal join the European Community.

Tunisia, one of the world's leading olive oil producers, exports $70m (£56.4m) worth of oil a year, mainly to France and Italy. An internal World Bank report warns that the entry of Tunisia's principal olive oil competitors—Greece, Spain and Portugal—into the EEC "will cause Tunisia to lose the EEC market."

Olive trees cover a third of Tunisia's arable land and are cultivated on over 200,000 farms. Officials point out that the trees grow in dry, acid soil where other crops fare badly. "Switching to other crops would be difficult if not impossible for most olive farmers," said one.

Blunders by the Tunisian Government seem, however, to have contributed to the farmers' plights. About 80,000 Tunisian farmers in dry zones were persuaded in the 1970s to stop growing wheat and maize, which was providing them with only a low income, and plant olive trees instead.

As the trees take at least 15 years to bear fruit, most of these farmers have yet to see any benefit and depend for their survival on aid from the UN World Food Programme, which jointly sponsored the project with the government.

When their trees do bear fruit, Tunisia's olive oil output could soar by over a third to about 180,000 tonnes a year. The World Bank report is critical of the Tunisian Government's olive oil organisation, l'Office National Tunisien de l'huile (OHN), which it says has done no market studies into olive oil or found new markets.

Tunisia is involved in talks with the EEC about olive exports and is hoping for an arrangement on similar lines to the one in which Commonwealth sugar producers are permitted to sell cane sugar to the EEC, even though the Community is self-sufficient in beet sugar.

Mr M. Tlili, OHN director-general, has made a passionate appeal to the French Government to help Tunisia get a favourable deal.

To Tunisia's embarrassment, the EEC has asked that the country converts some of the land under olive trees to other uses. Any deal to safeguard Tunisia's market is only likely to grant the right to sell part of existing exports to the EEC: oil from the trees planted in the past 15 years is likely to desperately need new markets.

While the OHN is obliged to buy all the olive oil that the farmers want to sell, if Tunisia cannot find markets then an ever-growing stock of oil could force the OHN to suspend buying from the farmers. The government, which will this year pay out about £140m in bread subsidies, is unlikely to be able to afford subsidies for the olive oil producers as well.

Francis Ghiles adds: A Tdinar 75m (£73.5m) contract awarded to Spie Batignolles, of France, to build a phosphoric acid plant at La Skhira in southern Tunisia, earlier this summer, included an element of countertrade.

The French company has undertaken to sell Tunisian goods, notably olive oil, textiles and phosphates outside Tunisia's traditional markets.

Such deals may increase the volume of Tunisian olive oil exports, but are unlikely to provide a lasting solution to the growing volume of olive oil the country is producing.

Abolition of coffee quotas called for

THE West German coffee industry is demanding the immediate abolition of the present International Coffee Organisation's quota system, reports Reuter.

The German Coffee Association, Hamburg, and the the demand in a joint statement.

The coffee industry has suggested to the Federal Economics Ministry in Bonn that it support the introduction of an unlimited basic quota valid from October 1. It said quotas should only be re-introduced if the agreement's composite price falls below 120 cents a lb, it is 147 cents at present.

Several other EEC countries have already reacted to the idea favourably, the statement claimed.

Meanwhile, Brazil said it has introduced a new price formula for Robusta (conillon) coffee which makes it 7 per cent more expensive for non-members of the International Coffee Organisation.

The London office of the Brazilian Coffee Institute said the move was designed to take advantage of the scarcity of Robustas on the world market.

● Indonesia has introduced a tax on its Arabica and Robusta coffee exports of 1.67 per cent and 3.85 per cent respectively effective September 1.

India seeks to import ½m bales of raw jute

By P. C. Mahanti in Calcutta

INDIA has decided to import 500,000 bales of raw jute through the Jute Corporation of India, but industry opinion here is sceptical whether this quantity of fibre will be readily available from Bangladesh or Thailand or from both.

The Raw Jute Corporation in either country has been as short as in India, and record price levels in both countries are an indication of the tight supply position.

According to press reports an official team has already left for London to contact certain merchant firms holding long positions in Bangladesh in order to purchase some jute through them immediately. The team will then visit Bangladesh and Thailand to make spot purchases.

The import news has had little impact on the local raw jute market where prices for one grade have soared to Rs 710 (£48.60) per quintal compared with Rs665 a quintal only last week.

India's own crop this year is put at 7.5m bales. The total requirement on account of mill consumption as well as some contractual exports is put at about 9m bales.

Supplies from this year's indigenous crop have started arriving in quantities in the fibre market. Even so, the trend remains extremely bullish. Mills produced 91,500 tonnes in August against 95,900 tonnes in July.

Indian jute goods stocks slumped to 65,300 tonnes on August 31, down from 112,600 tonnes a year ago.

PRICE CHANGES

In tonnes unless stated otherwise	Sept. 18 1984	+ or —	Month ago
Metals			
Aluminium	£1100		£1100
Free Mkt	$1025/5	+10	$1160/1170
Copper			
Cash h Grade	£1050.75	+10	£1010
3 mths	£1050.75	+17	£1032.25
Cash Cathode	£1031	+17.5	£1000
3 mths	£1049	+18	£1028
Gold troy oz	$338	+2	$346.5
Lead Cash	£315.0	+14.75	£369.5
3 mths	£324.75	+14.5	£366.25
Nickel	£5333		£5202
Free Mkt	312-332c		272/282c
Palladium oz	$137.50	+1.5	$156.75
Platinum oz	$321.00	-0.5	$358.75
Quick Silver†	$305/315	+5	$300/310
Silver troy oz	572.30p	+4.20	602.10p
3 mths	586.90p	+4.75	564.00p
Tin cash	£9755	-2.5	£9258.5
3 mths	£9677.5	+30	£9137.5
Tungsten	$80.27		$86.55
Wolfram 22.04 lb	$81/86	+1	$79/83
Zinc	£629.5	+22.5	£612.0
3 mths	£623.75	+20	£640.75
Producers	$940		$890

	Sept. 18 1984	+ or —	Month ago
Oils			
Coconut (Phil)	$1500		$900
Groundnut			
Linseed Crude			
Palm Malayan	$610w		$540
Seeds			
Copra Phil	$650y		$630
Soyabean (U.S.)	$244w		$207.5
Grains			
Barley Fut Nov	£107.60		£108.75
Maize			£150.75
Wheat Fut Nov	£105.65	+0.3	£109.10
No2 Hard Wint			
Other commodities			
Cocoa ship't*	£1996	-10	£1784.5
Futures Dec	£1915.5	-15.5	£1664.5
Coffee Ft. Nov	£2448.5	+30.5	£1840.5
Cotton A Index	72.65c		75.10c
Gas Oil Nov	$240.75		$256.5
Rubber (kilo)	63p		61.5p
Sugar (raw)	$86	-3.5	$110
Wool tops 64s	460p kilo		460p kilo

‡ Unquoted. w Oct. x Nov. y Sept-Oct. v Oct-Nov. † Per 75 lb flask. * Ghana cocoa. n Nominal. c Cents per pound.

LONDON OIL

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	27.70-27.80	-0.03
Dubai Fateh	27.30-27.40	-0.02
Arab Heavy	26.90-27.00	—
North Sea (Forties)	28.20-28.30	-0.05
North Sea (Brent)	28.40-28.55	-0.05
African (Bonny Lt)	28.00	—
PRODUCTS—North West Europe ($ per tonne)		
Premium gasoline	260-260	+0.0
Gas Oil	238-242	+1.0
Heavy fuel oil	178-180	+0.0

GAS OIL FUTURES

The gas oil market opened lower against New York but failed to gain momentum either in price or volume. It attracted little attention throughout the day and closed within the recent range, reports Premier Man.

Month	Yest'day's close	+ or —	Business Done
	U.S. $ per tonne		
Sept	255.00	-0.75	254.50-54.75
Oct	246.75	-1.50	248.00-45.00
Nov	240.75	-1.50	244.00-40.25
Dec	240.50	-0.75	241.75-40.00
Jan	247.00	-0.50	247.25-45.75
Feb	245.00	-1.00	246.00
March	244.50	+1.50	244.50
April	231.00	-1.00	—

Turnover: 1,050 (1,422) lots of 100 tonnes.

GOLD MARKETS

Gold rose $2 an ounce from Monday's close in the London bullion market to finish at $337¾-338¼. The metal opened at $336¾-337¼ and traded between a high of $338¼-338¾ and a low of $334¼-335. The firmer trend was a reflection of the dollar's retreat from the day's highs later in the afternoon.

In Luxembourg the dollar per ounce equivalent of the 12½ kilo bar was $336.90 from $338.50.

In Frankfurt the 12½ kilo bar was fixed at DM33,550 per kilo ($337.47 per ounce) against DM33,360 ($338.51) previously and closed at $336¾-337 from $335-335½.

In Paris the 12½ kilo bar was fixed at FFr 102,650 per kilo ($335.47 per ounce) in the afternoon compared with FFr 102,400 ($336.01) in the morning and FFr 102,000 ($338.09).

In Zurich gold finished at $337½-338 from $335¾-336.

LONDON FUTURES

Month	Yest'days close	+ or —	Business Done
	$ per troy ounce		
Sept			
Oct	349.40-48.00	+1.95	349.40-48.90
Dec			
Feb			
April			
June			
Aug			

Turnover: 120 (278) lots of 100 troy ounces.

	Sept. 18		Sept. 17	
Gold Bullion (fine ounce)				
Close	$337¾-338¼	(£274¾-275¼)	$335¾-336¼	(£270¾-270¾)
Opening	$336¾-337¼	(£272¼-272¾)	$336¼-336¾	(£268¾-268¾)
Morning fixing	$336.50	(£274.671)	$338.40	(£269.602)
Afternoon fixing	$335.75	(£275.123)	$335.25	(£268.530)
Gold and Platinum Coins Sept. 18				
Krugrnd	$348-348¾	(£283-283¾)	King Sov	$80-81 (£65¼-66¼)
½ Krug.	$176-180	(£143-146¼)	Victoria Sov	$80-81 (£65¼-66¼)
¼ Krug.	$91.92	(£75¼-76¼)	French 20s	$66-63 (£53¼-51¼)
1/10 Krug.	$37-38	(£30-31)	50 Pesos Mex	$420-422 (£343¼-344¾)
Mapleleaf	$348-348¾	(£282-282¾)	100 Cor Aust	$330-335 (£268¾-272¼)
New Sov.	$79¾-80	(£64¾-65¼)	$20 Eagles	$500-530 (£405-430¾)
½ New Sov.	$47-48	(£38-38¾)	Noble Plat.	$550-534 (£446½-434¾)

EUROPEAN MARKETS

ROTTERDAM, September 18. Wheat—(U.S. $ per tonne): U.S. two Soft Red Winter Oct 153.75, Nov 156.25, Dec 158.50. U.S. two Northern Spring 14 per cent protein Oct 170.50, Nov 172.50, Dec 177.50. U.S. three Northern Spring 15 per cent protein Sept 184, Oct 183.50, Nov 187.50. U.S. three Hard Amber Durum Sept 192, Oct 188, Nov 189, mid-Nov/mid-Dec 194, Apr/May 206. Canadian one Western Amber Durum Spot 206, Oct 205, Nov 206.50.

Maize—(U.S. $ per tonne): U.S. three corn yellow April 155, Sept 137, Oct 136, Nov 137, Dec 136, Jan/March 140.50 sellers. Argentine Plate, April/June 155 sellers.

Soyabeans—(U.S. $ per tonne): U.S. No two yellow Gulfports Oct 238, Nov 237.50, Dec 239.25, Jan 243.45, Feb 248.35, March 248.75 April 251.25, May 252.55 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent Oct 166, Oct/Dec 168, Nov/March 172 sellers. Pellets, Brazil Afloat 187, Afloat cif Chent 188, Sept 170, Oct 172, Nov 179, Dec 182, Jan/March 194 sellers. Pellets, Argentine Afloat 180, Sept 180, Oct 181, Nov/Dec 166, Jan/March 181 sellers.

Cocoa—(FFr per 100 kg): Sept 24.20-25.00, Dec 22.28-22.30, March 21.50-21.70, May 21.60 bid, July 21.65 bid, Sept 21.60 bid, Oct 21.80 bid.

PARIS, September 18. Sugar—(FFr per tonne): Oct 1,534-1,538, March 1,563-1,564, May 1,600-1,604, August 1,650-1,664, Oct 1,686-1,724, Dec 1,725-1,728.

BRITISH COMMODITY PRICES

BASE METALS

BASE-METAL PRICES gained ground on the London Metal Exchange, with the notable exception of Tin which, after advancing to £9,785 on the initial surge by the dollar, retreated to close £9,630 as profit-taking triggered heavy stop-loss selling. Copper rose to close at £1,051 following rumours that U.S. car workers have returned to work. Lead and Zinc were similarly firm with the latter finally £625.0 and the former £322.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	1023.4	+11	1029-30	+19
3 months	1044.6-0	+12	1000.5-1	+17
Settlem't	1024	+11	—	
Cathodes				
Cash	1022-3	+8	1030-2	+17.5
3 months	1040-2	+19	1048-50	+16
Settlem't	1023	+8	—	

Amalgamated Metal Trading reported that in the morning cash Higher Grade traded at £1,024, 23.5, three months £1,041, 40.5, 41, 43, 44, 45, 46, 45.5, 45, 44.5. Cathodes: Cash £1,023. Kerb: Higher Grade: Three months £1,047, 48, 47, 46.5, 46. Afternoon: Higher Grade: Three months £1,043.5, 1,049, 40, 48.5, 40, 40.0, 01. Kerb: Higher Grade: Three months £1,051, 51.5, 51, 50, 50.5, 51. Turnover: 24,750 tonnes. U.S. Producers: 62.68-69 cents per pound.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	9880-90	+145	9700-00	+2.5
3 months	9820-50	+155	9695-705	—
Settlem't	9880	+145	—	
Standard				
Cash	9780-30	+87.5	9750-60	-2.5
3 months	9642-0	+106	9675-80	—
Settlem't	9730	+80	—	
Straits E.	$29.10		—	

Tin—Morning: Standard: Cash £9,675, 80, three months £9,750, 70, 80, 65. High Grade: Cash £9,885, 90. Kerb: Standard: Three months £9,780, 70, 60. Afternoon: Standard: Three months £9,720, 10, 700, 9,680, 82, 60, 65, 75. High Grade: Three months £9,705. Kerb: Standard: Three months £9,660, 60, 30. Turnover: 3,175 tonnes.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	318.5-5	+11	315-6	+14.7
3 months	381.0 2	+11.5	324.5-6	+14.5
Settlem't	313	+11	—	

Lead—Morning: Cash £313, three months £322, 23, 22.5, 22, 21.5, 21, 24, 23.5, 23, 22.0, 22, 21, 21.5, 22. Kerb: Three months £31, 22. Afternoon: Three months £323, 24, 23.5, 24, 24.5, 25. Kerb: Three months £324, 23, 22, 22.5, 23, 22. Turnover: 16,495 tonnes. U.S. Spot: 24-28 cents a pound.

ZINC

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	830-1	+57	029-30	+21.5
3 months	025.5-4	+50.5	622.5-4	+20
Settlem't	651	+57	—	

Zinc—HIGH GRADE OFFICIAL / UNOFFICIAL PRICES: Cash am £898-706, pm £695-705. Three months am £680-688, pm £680-639; settlement £706. Morning: Cash £631, three months £915, 14, 19, 20, 19, 18, 15, 20, 21, 22, 24, 25, 24, 23, 24, 23.5. Kerb: Three months £621, 22. Afternoon: Three months £624, 23.5, 23, 26, 23, 23.5, 24. Kerb: Three months £623, 22, 22.5, 23, 24, 25. Turnover: 19,700 tonnes. U.S. Prime Western: 48.00-48.75 cents a pound.

ALUMINIUM

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	811.2	+8.25	810-1	+2
3 months	835.5	+7	834-.5	+3

Aluminium—Morning: Three months £831, 31.0, 32, 35, 37.5, 37, 36, 35.5, 35. Kerb: Three months £835.5, 36, 35, 36.5, 36, 35. Afternoon: Three months £837, 36, 35.5, 35, 34.5, 34. Kerb: Three months £832, 31, 31.5, 32, 33, 32.5. Turnover: 17,275 tonnes.

NICKEL

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	3860-5	+112	3380-0	+00
3 months	3350 80	+118	3915-20	+55

Nickel—Morning: Cash £3,845, three months £3,840, 45, 55, 60. Kerb: Three months £3,960, 65. Afternoon: Three months £3,935, 30, 25, 15, 20. Kerb: Three months £3,920. Turnover: 752 tonnes.

SILVER

Silver was fixed 4.9p an ounce higher for spot delivery in the London bullion market yesterday at 572.3p. U.S. cent equivalents of the fixing levels were: spot 687.8c, down 12.2c; three-month 717.1c, down 13.3c; six-month 739.4c, down 12.4c; and 12-month 784.7c, down 13.2c. The metal opened at 568-571p (702-705c) and closed at 574-577p (706-709c).

SILVER per troy oz	Bullion fixing price	+ or —	L.M.E. p.m. Unoffl	+ or —
Spot	578.30p	+4.20	074p	+7
3 months	586.90p	+4.75	589.0p	+7.25
6 months	604.05p	+4.85	—	—
12months	636.10p	+7.35	—	

LME—(2,000 oz contract): Cash 672.5p (587p); three months 587.5p (582.25p). Turnover: 2 (0).

Turnover 116 (106) lots of 10,000 ozs.

Morning: Large 1st ring three months 587; 2nd ring cash 572; three months 587, 86, 87, 86.5, 86. Kerb: Large three months 588. Afternoon: Large 1st ring three months 590; small 2nd ring three months 589. Kerb: Large three months 590.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.0 per cent, $ per tonne, in warehouse: 3,550-3,600.

BISMUTH: European free market, min. 99.99 per cent, $ per pound, tonne lots in warehouse: 5.45-5.55.

CADMIUM: European free market, min. 99.95 per cent, $ per pound, in warehouse: ingots 1.27-1.32, sticks 1.29-1.34.

COBALT: European free market, 99.5 per cent, $ per pound, in warehouse: 10.90-11.10.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse: 306-316.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per pound Mo, in warehouse: 3.80-3.85.

SELENIUM: European free market, min. 99.5 per cent, $ per pound, in warehouse: 9.75-10.10.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif: 83-86.

VANADIUM: European free market, min. 98 per cent V_2O_5, other sources, $ per pound V_2O_5, cif: 2.33-2.38.

Producer list price for selected metals as recorded in Metal Bulletin.

ALUMINIUM: World: virgin ingots Alcan, min. 99.5 per cent, $ per tonne, cif Hong Kong and Rotterdam: 1,750.

BISMUTH: UK: MCP-Peko, 99.99 per cent, $ per pound, tonne lots, ex-warehouse: 5.00.

COBALT: World, Zaire: Sozacom, $ per pound: 12.50.

NICKEL: World, Inco, melting grade, $ per pound, cif Far East and America, delivered rest of world: 3.20.

URANIUM: Nuexco exchange value, $ per pound U_3O_8: 17.50.

VANADIUM: Highveld fused, min. 98 per cent V_2O_5, $ per pound V_2O_5, cif: 2.81.

ZINC: GOB producer basis, $ per tonne: 840.

COCOA

Although due steadier futures lost ground sharply after the opening and at the end of a session dominated by currency considerations closed £20 off the highs of the day, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
Sept	2205-10	-10.5	2240-85
Dec	1915-16	-15.5	1945 07
March	1854-56	-9.0	1873-50
May	1850-61	-10.5	1866-40
July	1846-47	-12.5	1867-45
Sept	1844-47	-10.0	1866-35
Dec	1830 40	-7.0	1848-28

Sales: 4,554 (5,859) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for Sept 18: 102.54 (104 20): five-day average for Sept 19: 104.21 (104 04).

COFFEE

COFFEE	Yesterd'ys Close	+ or —	Business Done
Sept	2410-12	+9.0	2416 05
Nov	2448-48	+90.5	2450 27
January	2570-75	+12.5	2587-58
March	2216 20	+27.0	2225-05
May	2181-95	+35.5	2195-73
July	2150-76	+35.0	2165 55
Sept	2140-15	+40.0	2146-50

Extreme weakness in sterling against the dollar prompted a steadier opening, reports Drexel Burnham Lambert. Prices eased back once early dealer buying had been absorbed and only light commission house short-covering gave support in quiet conditions. The afternoon saw prices move sharply in both directions in thin volume, but with morning support levels holding good the market rallied in late trading. The ICO talks continue to bring a hesitant tone to market dealings.

Sales: 3,684 (2,608) lots of 15 tonnes.

ICO indicator prices (U.S. cents per pound) for September 17: Comp daily 1979 141.12 (142.06); 15-days average 145.93 (146.18).

GRAINS

Wheat milled on a stronger physical market to reach 80p up in active trade. Values drifted lower in the afternoon as buying interest evaporated. Barley saw thin, flat trade with some buying support at 10p-15p lower and finished unchanged to slightly steadier on the day, reports Muirpace.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterd's close	+ or —
Sept	104.35	+0.20	105.40	+0.50
Nov	105.65	+0.30	107.60	—
Jan	110.35	+0.30	111.40	+0.10
Mar	113.70	+0.35	114.30	+0.10
May	117.20	+0.40	117.05	-0.05
July	110.50	+0.55	—	—

Business done—Wheat: Sept 104.50-4.20, Nov 107.10-6.65, Jan 111.00-10.50, March 114.10-3.60, May 117.50-7.10, July 119.50-9.45. Sales: 485 lots of 100 tonnes. Barley: Sept 105.20-5.10, Nov 107.90-7.70, Jan 111.50-1.15, March 118.85-4.20, May 117.10-7.00. Sales: 210 lots of 100 tonnes.

d:cmlw shr cmf ahr cml shr cmf cml

HGCA — Locational ex-farm spot prices. Feed—Barley: S.East 103.20, S.West 103.80, W.Mids 100.30. The UK monetary coefficient for the week beginning Monday September 24 (based on HGCA calculations using 5 days' exchange rates) is expected to remain unchanged at 0.990.

LONDON GRAINS—Wheat: CWRS No. 1 13½ per cent, ex-origin transhipment Oct 165. U.S. Dark Northern Spring No. 1, 15 per cent: half Sept/half Oct and Oct 151, Nov 153.25, half Nov/half Dec 155 transhipment East Coast. English feed, fob: Oct/Dec 108, Jan/March 114 sellers East Coast. Barley: English feed, fob: Sept 105, Oct 108, Oct/Dec 110.50, sellers Scotland. Rest unquoted.

PIGMEAT

Prices opened unchanged and drifted lower in thin volume. Speculative buying pushed prices back up to the highs, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
Oct	128.50	129.30	129.50-27.80
Nov	129.50	130.20	129.98-29.00
Feb	120.40	120.60	120.50-25.50
April	119.50	118.40	119.50
June	117.00	117.70	—
Aug	110.40	116.10	—

Sales: 124 (226) lots of 50 carcases, 3,250 kg.

POTATOES

The market failed to maintain the recent momentum, opening £2.00 lower, and then dropping almost another £2.00 by mid-afternoon, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
Nov	63.30	65.50	64.50-65.80
Feb	78.50	70.50	—
April	80.30	88.90	87.50-85.70
May	86.30	90.00	84.70-82.00
Nov	79.00	77.00	—

Sales: 412 (682) lots of 40 tonnes.

RUBBER

PHYSICALS — The London market opened higher, attracted very little interest at the higher levels and closed quiet, reports Lewis and Peat. Closing prices (buyers): Spot 63.00p (62.50p); Oct 78.00p (77.50p); Nov 77.50p (77.00p). The Kuala Lumpur Oct fob price for RSS No 1 was 217.5 (220.0) cents a kg and for SMR 20 was 203.5 (205.0).

FUTURES—Close (buyer, seller, business). RSS No 1. £ per tonne. Oct 600, 660, nil; Nov 620, 660, 650; Dec 640, 680, nil; April 695 buyer only, nil; 1984 Oct/Dec 630, 660, 650; 1985 Jan/March 675 seller only, 675-670; 1985 April/June 695 seller only, nil. Sales: 1 (12) lots of 5 tonnes. 7 (5) lots of 15 tonnes.

SOYABEAN MEAL

The market opened 50p higher, reports T. G. Roddick. In thin trade shipper and commission house support emerged before prices eased on the close.

	Yestday's close	+ or —	Business Done
	£ per tonne		
October	132.50-34.50	+1.00	134.00-33.00
Dec	136.50-37.10	-0.70	138.00-37.70
Feb	143.50-44.00	-0.40	144.50
Apr	145.00-45.50	—	—
June	145.00-45.50	+1.00	145.00
August	146.10-49.00	—	—
October	147.00-51.00	—	—

Sales: 32 (41) lots of 100 tonnes. 25 (25) lots of 20 tonnes.

SUGAR

LONDON DAILY SUGAR—Raw sugar £86.00 ($105.00), down £3.50 (down $7.50), a tonne for Sept-Oct delivery. White sugar $162.00, down $6.50.

Selling interest dried up following the sharp overnight fall and prices recovered some $3 over the day, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	£ per tonne		
Oct	114.00-15.20	115.50-14.20	115.50-11.00
Dec	124.08-24.50	124.20-24.60	125.20-21.20
Mar	142.00-42.40	142.50-45.00	145.20-38.80
May	148.40-44.60	149.60 54.00	150.20-47.00
Aug	158.00-55.20	159.40 53.60	158.60-57.00
Oct	167.50 53.60	168.00-53.40	168.00-55.00
Dec	175.00-77.00	174.00-76.00	175.20

Sales: No 6 4,077 (3,965) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £199.50 (£201.50) a tonne for export.

International Sugar Agreement — (U.S. cents per pound fob and stowed Caribbean ports). Prices for September 14. Daily price 4.09 (4.30): 15-day average 4.27 (4.26).

INDICES

FINANCIAL TIMES

Sep. 17	Sep. 14	M'th ago	Year ago
287.40	289.13	288.57	288.65

(Base: July 1 1952 = 100)

REUTERS

Sept 18	Sept 17	M'th ago	Year ago
1959.7	1868.0	1857.5	1879.1

(Base: September 18 1931 = 100)

MOODY'S

Sept. 18	Sept. 9	M'th ago	Year ago
995.8	995.0	1016.2	1085.4

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Sept. 10	Sept. 9	Month ago	Year ago
Spot	126.05	127.79	150.52	145.85
Fut	127.14	126.47	129.14	102.52

(Base: December 31 1974 = 100)

COTTON

LIVERPOOL—Spot and shipment sales amounted to 40 tonnes. Trading was on a very limited scale. Spinners generally have sufficient supplies on inventory and are not disposed to purchase of the current crop at ruling prices. Occasional interest was shown in selected Middle Eastern descriptions.

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Oct 500, 508, 504-503; Dec 514, 510, 519-518; Jan 517, 519, 520-516; March 524, 525, 526-524; May 530, 532, 532-531; Aug 541, 545, 546-543; Oct 542, 547, nil; Dec 543, 548, 548-546; Jan 547, 549, 550-547; March 552, 556, 558-555. Sales: 55.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Oct 580.0, 580.1, 580.1-560.0; Dec 586.0, 586.0, 586.0; March 575.0, 579.0, 576.0; May 579.0, 583.0, untraded; July 585.0, 590.0, u/t; Oct 570.0, 582.0, u/t; Dec 579.0, 596.0, u/t; March 585.0, 600.0, u/t. Sales: 11.

MEAT/FISH

MEAT COMMISSION — Average fatstock prices at representative markets. GB—Cattle 93.82p per kg lw (−0.27). GB—Sheep 136.98p per kg est dcw (−3.71). GB—Pigs 92.31p per kg lw (+2.28).

SMITHFIELD — Pence per pound. Beef — Scotch killed sides 78.0-82.0; English forequarters 55.0-58.5; Ulster hindquarters 88.0-94.0. Veal — Dutch hinds and ends 127.0-134.0. Lamb — English small 62.0-68.0, medium 60.0-65.0, heavy 58.0-62.0; Scotch medium 59.0-62.0, heavy 57.5-59.0; Imported: New Zealand PL 65.5-67.0, PX 50.5-61.0, YL 64.0-64.5. Pork—English under 100 lb 59.0-66.5, 100-120 lb 56.5-65.0, 120-160 lb 52.0-59.0.

COVENT GARDEN—Prices for the bulk of produce, in sterling per package unless otherwise stated. English produce: Apples—Per lb. Cox's 0.26-0.28, Bramley new crop 0.12-0.15, Howgate 0.08-0.09. Discovery 0.12-0.15, Russets 0.18-0.20, Worcester Pearmain 0.15-0.19, Tydeman's Worcester 0.13-0.16, Katy 0.18-0.[illegible]. Pears—Per lb William's 0.07-0.09, Conference 0.12-0.15. Plums—12 lb, Victoria 2.40-3.00, Damson 2.40-2.50, Marjorie's Seedling 2.40-2.50. Raspberries—½ lb 0.60-0.90. Strawberries—½ lb 0.40-0.60. Potatoes—Per bag 56 lb, 2.00-2.80, Baheres 5.50-8.00. Mushrooms—Per lb, open 0.70-0.75, closed 0.60-1.00. Lettuce—Per tray round 1.20-1.40, Cos dozen 1.80-2.00. Webbs 1.60-1.80; Iceberg 12s 4.00-4.50, 15s 3.50. Carrots—28 lb new crop 1.00-1.60. Greens—Primo 1.50-1.60. Tomatoes—Tray 12 lb 1.40-1.60. Cucumbers—Troy 2.20-2.60. Cauliflowers—Dozen, Lincs 3.00-3.60. Spring Onions—Bunch 0.08-0.09. Radishes—Bunched 0.12-0.14. Celery—Prepack 2.60-3.00; Loose 1.60-2.00. Watercress—Ice pack 20s 3.40-5.50. Salad—Crisps 10s 1.00-1.10. Courgettes—Per lb 0.30-0.35. Stick Beans—Per lb 0.28-0.32. Beetroot—Bags 28 lb 1.60-2.00. Onions—55-lb bag 3.00-3.60. Calabrese—Per lb 0.60-0.80. Capsicums—Per lb 0.28-0.30. Sprouts—Per lb 0.20-0.25. Marrows—Dozen 1.60-1.70. Corn on the Cob—Each 0.10-0.14. Fennel—Tray 10 lb 3.00-3.50. Leeks—Per lb 0.25-0.30. Swedes—28 lb 1.50-1.70. Parsnips—28 lb 2.60-2.80. Cobnuts—Per lb 0.45-0.60.

AMERICAN MARKETS

NEW YORK, Sept 18.

The precious metals milled as fresh buying developed along with stop-loss buying on the rebound in currencies from early lows, reports Heinold Commodities. Copper rallied in sympathy with precious metals and on an oversold condition. Sugar firmed on light trade buying along with light commission house buying in response to an oversold condition along with the tropical depressions forming off the Atlantic coast. Cocoa continued under pressure on a lack of dealer interest. Coffee found light support on the tightness in nearby supplies with roaster buying. Cotton firmed on light mill pricing. Heating oil milled on expectations that the good product demand recently will lead to a drawdown in stocks. The grain and soyabean complex firmed on good commercial buying interest and reports of export demand developing.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Sept	45.20	—	—	45.25
Oct	46.30	—	—	45.30
Dec	46.40	46.45	46.10	46.45
Jan	46.80	46.70	46.70	46.95
March	47.95	48.00	47.65	48.00
May	49.00	—	—	49.05
July	50.05	49.75	49.75	50.70
Sept	51.70	—	—	51.15
Dec	52.70	—	—	52.75
Jan	53.25	—	—	53.30

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Dec	2235	2258	2214	2276
March	2177	2194	2158	2211
May	2180	2160	2160	2205
July	2188	2178	2170	2208
Sept	—	—	—	2604
Dec	2193	—	—	2213

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
Sept	143.75	43.75	41.24	41.25
Dec	137.93	38.60	37.20	37.81
March	136.09	36.85	35.35	35.98
May	134.75	35.80	34.30	34.58
July	134.30	34.30	33.30	33.60
Sept	133.25	33.25	32.65	32.63
Dec	131.26	31.50	31.50	31.00

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Sept	55.90	55.95	55.55	55.00
Oct	56.00	—	—	55.15
Nov	56.65	—	—	55.80
Dec	57.30	57.50	56.45	56.45
Jan	57.50	57.15	57.05	57.05
March	59.10	59.35	58.30	58.25
May	90.25	80.40	59.45	59.35
July	61.35	61.40	60.80	60.45
Sept	62.50	62.20	61.60	61.55
Dec	64.20	64.30	63.25	63.25

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Oct	63.57	63.60	63.38	63.50
Dec	64.77	64.80	64.52	64.61
March	66.69	66.70	66.40	66.43
May	67.65	67.73	67.51	67.61
July	68.90	68.90	68.70	68.75
Oct	69.65	—	—	69.65
Dec	70.05	70.00	69.65	69.95
March	70.61	—	—	70.15

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
Oct	29.17	29.25	29.17	29.20
Nov	29.38	29.46	29.34	29.34
Dec	29.53	29.61	29.51	29.52
Jan	29.52	29.59	29.50	29.61
Feb	29.45	29.53	29.43	29.43
March	29.40	29.40	29.40	29.37
April	29.35	—	—	29.31
May	—	—	—	29.21
June	—	—	—	29.18

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	340.0	—	336.5	335.9
Oct	341.9	343.8	336.0	337.1
Dec	346.3	349.8	342.5	343.5
Feb	354.8	356.0	349.0	349.8
April	361.3	362.3	355.0	356.3
June	368.1	369.0	362.7	363.2
Oct	382.3	383.0	378.0	377.4
Dec	389.8	391.0	386.0	384.0
Feb	397.5	392.0	392.0	392.6
April	405.3	—	—	400.4
June	413.8	407.0	407.0	408.9

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
Oct	80.30	80.55	80.20	80.28
Nov	81.30	81.40	81.15	81.17
Dec	82.35	82.60	82.30	82.40
Jan	83.00	83.15	83.00	83.00
Feb	82.75	82.80	82.75	82.05
March	79.85	79.80	79.80	79.76
April	76.00	78.00	78.00	78.25
May	—	—	—	77.85
June	—	—	—	78.00

ORANGE JUICE 10,000 lb, cents/lb

	Close	High	Low	Prev
Sept	171.90	72.00	70.00	68.40
Nov	176.65	76.80	74.20	73.95
Jan	177.50	77.50	73.20	72.85
March	175.00	76.20	72.70	70.70
Nov	171.90	68.50	68.50	68.40
Jan	171.90	—	—	68.40

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	320.3	—	—	317.0
Oct	321.0	323.0	316.5	318.4
Jan	330.4	332.0	325.0	327.4
April	339.3	340.5	335.0	336.5
July	348.4	340.5	345.0	345.7
Oct	357.9	360.0	365.0	365.2
Jan	368.0	—	—	—

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Sept	709.8	712.0	699.0	701.8
Oct	712.0	—	—	704.5
Nov	719.0	—	—	711.5
Dec	726.0	732.0	713.0	718.5
Jan	732.8	723.0	723.0	725.4
March	746.8	752.0	734.0	739.3
May	760.6	767.0	749.0	753.3
July	775.3	777.0	765.0	768.2
Sept	790.7	793.0	784.0	783.8
Dec	815.2	807.0	800.0	808.8

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Oct	3.90	3.93	3.90	3.80
Jan	4.56	4.60	4.48	4.50
March	5.19	5.20	5.06	0.06
May	5.55	5.56	5.42	5.40
July	5.87	5.87	5.74	5.73
Oct	6.36	0.36	6.23	6.24
Jan	6.69	3.70	6.66	6.60

CHICAGO

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Oct	47.22	47.55	47.15	47.12
Dec	48.90	49.10	48.65	48.72
Feb	51.12	51.35	01.06	01.06
April	49.00	49.05	48.75	48.62
June	52.00	52.15	51.70	01.75
July	52.67	62.75	52.40	52.50
Augu	51.45	51.90	01.40	51.50
Oct	47.70	47.70	47.70	47.62
Dec	47.13	47.15	47.10	47.13

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
Sept	308.4	308.6	306.0	309.4
Dec	284.6	285.0	283.0	284.0
March	288.2	289.4	287.2	288.4
May	293.4	293.4	291.4	292.0
July	295.0	295.0	293 6	294 4
Sept	286.6	287.0	285.0	287.0
Dec	279.8	281.0	279.0	281.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	64.10	64.35	63.45	63 46
March	63.25	63.50	62.65	62.67
May	64.77	64.30	63.60	63.52
July	64.70	65.20	64.70	64.40
August	62.40	63.00	62.40	62.10

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
Sept	592.4	594.0	583.4	590.0
Nov	597.0	598.4	583.2	582.4
Jan	607.4	608.4	603 4	602.0
March	620.0	620.4	610.0	614.0
May	629.4	679.4	624.0	624.4
July	633.6	634 4	628.0	629.4
August	633.0	633.0	629.0	628.2
Sept	621.0	621.4	619.0	619 0
Nov	615.0	616.0	612.4	612.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Sept	147.2	148.8	145.3	145.0
Oct	149.2	149.4	146.0	147.1
Dec	154.9	155.3	152.0	152.3
Jan	157.7	158.0	155.2	155.3
March	162.0	162.0	160.5	160 2
May	167.0	167.0	164.0	165.5
July	169.5	170.0	169.0	169.0
August	167.8	169.5	167 0	168 0
Sept	166.0	166.0	166.0	167.0
Oct	168.0	168.0	168.6	170.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Sept	28.62	28.65	26.38	28.25
Oct	25.28	25.60	25.17	25.17
Dec	24.32	24.50	24.21	24.16
Jan	24.03	24.20	23.95	23.95
March	23.77	23.95	23.70	23.67
May	23.53	23.60	23.45	23.40
July	23.35	23 40	23.25	23.15
August	23 00	23.20	23.00	23.00
Sept	23 04	23.04	23.04	23 00
Oct	22.95	23.00	22.96	22.90

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Sept	338.2	339.2	337.0	334.2
Dec	347.0	348.0	345.2	344.2
March	353.2	354.2	352.0	351.2
May	351.4	352.6	350.4	350.0
July	337.0	338.4	336 4	335.0
Sept	341.4	341.0	341.0	340.4

SPOT PRICES—Chicago loose lard 77.50 (28.50) cents per pound. New York tin 548.0-63.0 (552.0-64.0) cents per pound. Handy and Harman silver bullion 709.0 (702.0) cents per troy ounce.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar pauses for breath

The dollar touched new highs in currency markets yesterday but lost ground in the afternoon to finish some way below the day's best levels. Trading ranges were unusually wide with the U.S. unit moving between DM 3.1200 and DM 3.0765 against the D-mark. Early trading saw a continuation of the recent surge in the dollar's value although the momentum started to ease as the dollar broke through a string of supposed resistance levels.

Movements were devoted entirely to market impulse with no new economic factors emerging. Euro-dollar interest rates were little changed and with the Federal authorities adding reserves to the New York money market later in the day, dollar speculators paused for breath. In view of the dollar's very sharp movements, dealers appeared reluctant to predict what might happen today although trading could be less hectic as the market adjust itself ahead of tomorrow's release of the U.S. third quartar flash estimate.

The dollar closed at DM 3.0915 against the D-mark, some way below the day's high but still well up from Monday's close of DM 3.0720. It was higher against the Swiss frane at SwFr 2.5410 from SwFr 2.5275 and finished at a record closing high of FFr 9.4925 from FFr 9.4250 against the French franc. The dollar's hesitation allowed the yen to assert itself as a fundamentally strong currency and the dollar fell to Y246.15 from Y247.15. On Bank of England figures, the dollar's trade weighted index rose to record 142.7 from 142.1 on Monday.

Sterling recovered on the dollar's turnaround from a very weak position earlier in the day. At noon its index was down to 76.0 from 76.6 in the morning and 77.0 on Monday but recovered to close at 76.4. News of an end to the dock strike certainly brought some relief but it was mainly the dollar's softer look in the afternoon that enabled sterling to regain some of its poise. There was probably intervention by the Bank of England from time to time. Although not on a large scale, intervention may have provided some hesitation on running too short on sterling at historically low levels. Consequently the pound recovered from an all-time trading low of $1.2160 to finish at $1.2325-1.2335, a fall of 90 points.

It also recouped much of the day's losses in terms of major European currencies, finishing at DM 3.8125 against the D-mark, down from DM 3.8175 on Monday but up from a low of DM 3.7775. It was slightly weaker against the Swiss franc at SwFr 3.1325 from SwFr 3.1375 but improved in terms of the French franc to FFr 11.7250 from FFr 11.7125. It fell against the yen, however, to Y303.5 from Y307.

D-MARK — Trading range against the dollar in 1984 is 3.0915 to 2.5535. August average 2.863. Trade-weighted index 120.4 against 127.2 six months ago.

The dollar rose to DM 3.0950 at yesterday's fixing in Frankfurt up from DM 3.0621 on Monday and the Bundesbank sold $61.7m at the fixing. There was no indication of any intervention outside the fixing. Fundamental factors supporting the dollar remained the same, with the firmer trend attributed to continued bullish sentiment. Having failed to hold above DM 3.10, a level breached during the fixing, the dollar resumed its upward path in the afternoon to be quoted at DM 3.1045.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu September 18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.1497	+0.55	+0.54	±1.5447
Danish Krone ...	8.14104	8.10335	−0.46	−0.47	±1.6425
German D-Mark	2.24184	2.24310	+0.06	+0.05	±1.0642
French Franc ...	6.87456	6.88073	+0.08	+0.08	±1.4052
Dutch Guilder ...	2.52595	2.52762	+0.07	+0.06	±1.4964
Irish Punt	0.72569	0.723016	−0.37	−0.38	±1.6689
Italian Lira	1403.49	1379.10	−1.74	−1.74	±4.1505

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ in New York (latest)

	Sept. 18	Prev. close
Spot	$1.2325-1.2335	$1.2340-2355
1 month	0.09-0.12 dis	0.09-0.18 dis
3 months	0.30-0.34 dis	0.20-0.24 dis
12 months	2.00-2.10 dis	2.00-2.10 dis

Forward premiums and discounts apply to the U.S. dollar.

THE POUND SPOT AND FORWARD

Sept 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2160-1.2370	1.2325-1.2335	0.07-0.10c dis	−0.83	0.22-0.26dis	−0.76
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	4.25½-4.30¾	4.29½-4.30½	1½-1½c pm	4.88	5¼-4¾ pm	4.59
Belgium	76.60-77.25	77.15-77.25	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	N/A	13.79½-13.80½	par-1ore dis	−0.43	2-2½ dis	−0.71
Ireland	1.2195-1.2300	1.2274-1.2287	0.11-0.28p dis	−1.90	0.43-0.67dis	−1.78
W. Ger.	3.77½-3.82½	3.80½-3.81½	1⅞-1⅝pf pm	5.51	5¾-4¾ pm	5.25
Portugal	N/A	187.70-188.70	190-550c dis	−22.46	550-1550dis	−20.81
Spain	N/A	213.10-213.50	50-70c dis	−3.66	165-185 dis	−3.19
Italy	2,322-2,325½	2,351½-2,352½	8-10 lire dis	−4.97	22-26 dis	−4.06
Norway	N/A	10.73½-10.74½	1½-2½ore dis	−2.23	3¾-4¾ dis	−2.21
France	11.58-11.74	11.72-11.73	¼c pm-¼ dis	−0.13	1-1½ dis	−0.23
Sweden	N/A	10.71½-10.72½	2⅝-3½ore dis	−2.58	5¾-6¾ dis	−2.25
Japan	301½-305	303-304	1.21-1.14y pm	4.65	3.42-3.31 pm	4.42
Austria	N/A	26.82-26.88	9¾-8¾gro pm	4.14	27¾-24¾ pm	4.18
Switz.	3.10½-3.14½	3.12½-3.13½	1⅞-1½c pm	6.75	4⅞-4⅝ pm	5.82

Belgian rate is for convertible francs. Financial franc 77.65-78.05. Six-month forward dollar 0.53-0.58c dis, 12-month 1.50-1.70c dis.

THE DOLLAR SPOT AND FORWARD

Sept 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.2160-1.2370	1.2325-1.2335	0.07-0.10c dis	−0.83	0.22-0.26dis	−0.76
Ireland†	0.9977-1.0060	1.0030-1.0040	0.12-0.08c pm	1.06	0.35-0.26 pm	1.22
Canada	1.3177-1.3210	1.3177-1.3187	0.04-0.08c dis	−0.45	0.12-0.16dis	−0.45
Nethlnd.	3.4650-3.4900	3.4860-3.4870	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	62.20-62.60	62.50-62.60	5-3c pm	[illegible]	[illegible]	[illegible]
Denmark	11.17¾-11.26¾	11.19¾-11.19¾	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	3.0765-3.1200	3.0910-3.0920	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	150.00-160.70	150.20-150.70	[illegible]	[illegible]	[illegible]	[illegible]
Spain	173.20-173.70	173.25-173.55	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	8.70-8.72	8.71¼-8.72¼	[illegible]	[illegible]	[illegible]	[illegible]
France	9.44¼-9.56½	9.49½-9.49¾	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	8.69¼-8.73	8.69½-8.70¼	[illegible]	[illegible]	[illegible]	[illegible]
Japan	245.50-248.00	246.10-246.20	1.15-1.11y pm	[illegible]	3.25-3.20 pm	[illegible]
Austria	21.72-21.89	21.75-21.80	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	2.5270-2.5445	2.5405-2.5415	1.44-1.39c pm	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 63.20-63.30.

OTHER CURRENCIES

Sept. 18	£	$		£ Note Rates
Argentina Peso...	102.01-102.29	83.28-83.37	Austria	26.45-26.75
Australia Dollar..	1.4640-1.4660	1.1870-1.1880	Belgium	76.30-77.10
Brazil Cruzeiro...	2,553-2,569	2,166-2,177	Denmark	13.61-13.72
Finland Markka...	7.8624-7.8645	6.4560-6.4070	France	11.55-11.66
Greek Drachma...	147.46-147.95	120.60-120.90	Germany	3.76¾-3.80¾
Hong Kong Dollar	9.6633-9.6740	7.8660-7.8690	Italy	2310-2350
Iran Rial	115.70*	93.50*	Japan	301-306
Kuwait Dinar(KD)	0.35680-0.35690	0.2894-0.2895	Netherlands	4.24¼-4.28¼
Luxembourg Fr...	77.15-77.50	62.50-62.60	Norway	10.61-10.72
Malaysia Dollar..	2.8961-2.9041	2.3575-2.3595	Portugal	183-203
New Zealand Dlr..	2.5285-2.5335	2.0555-2.0585	Spain	209¼-214¼
Saudi Arab. Riyal	4.3505-4.3525	3.5605-3.5615	Sweden	10.60-10.71
Singapore Dollar	2.6652-2.6748	2.1695-2.1715	Switzerland	3.09¼-3.13¼
Sth African Rand	2.0790-2.0795	1.6905-1.6925	United States	1.21¼-1.24¼
U.A.E. Dirham...	4.4870-4.4940	3.6780-3.6780	Yugoslavia	245-249

* Selling rates.

CURRENCY MOVEMENTS

Sept. 17	Bank of England Index	Morgan Guaranty Changes%
Sterling	76.4	−13.5
U.S. dollar	142.7	+28.6
Canadian dollar	90.3	−5.3
Austrian schilling	110.0	+6.7
Belgian franc	88.5	−11.7
Danish Kroner	78.6	−7.2
Deutsche mark	120.4	+5.9
Swiss franc	140.5	+8.7
Guilder	110.8	+2.0
French franc	66.5	−16.7
Lira	46.6	−14.5
Yen	157.0	+12.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Sept. 18	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.810633	0.590266
U.S. $	9	0.980594	0.719403
Canadian $	12.38	[illegible]	0.950252
Austria Sch.	4½	21.5406	15.7405
Belgian Fr.	11	61.8868	45.1497
Danish Kr.	7	11.0746	8.10335
D'mark	4½	3.05866	2.24310
Guilder	5	3.45411	2.52762
French Fr.	9½	9.42748	6.88073
Lira	16½	1861.17	1379.10
Yen	5	242.564	178.160
Norwgn Kr.	8	8.63503	6.30600
Spanish Pta.	—	171.564	125.058
Swedish Kr.	8½	N/A	6.28593
Swiss Fr.	4	2.52106	1.84680
Greek Dr'ch	20½	119.648	87.2676
Irish Punt	12¾	0.986478	0.723016

* CS/SDR rate for Sept 17: 1.31284.

EXCHANGE CROSS RATES

Sept. 18	Pound St'rling	U.S. Dollar	Deutsche m'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.233	3.815	303.5	11.73	3.135	4.300	6352.	1.625	77.25
U.S. Dollar	0.811	1.	3.092	246.3	9.493	2.541	3.487	1905.	1.318	62.60
Deutschemark	0.262	0.323	1.	79.61	3.076	0.822	1.128	616.6	0.426	20.26
Japanese Yen 1,000	3.295	4.063	12.56	1000.	38.63	10.32	14.17	7763.	5.355	254.4
French Franc 10	0.853	1.052	3.252	258.8	10.	2.676	3.667	2016.	1.386	65.85
Swiss Franc	0.319	0.394	1.217	96.69	3.743	1.	1.375	754.1	0.519	24.66
Dutch Guilder	0.233	0.287	0.887	70.58	2.727	0.728	1.	549.4	0.378	17.96
Italian Lira 1,000	0.425	0.522	1.614	128.5	4.963	1.326	1.820	1000.	0.688	32.69
Canadian Dollar	0.616	0.758	2.346	186.7	7.214	1.927	2.646	1455.	1.	47.53
Belgian Franc 100	1.295	1.597	4.937	393.0	15.18	4.056	5.566	3059.	2.105	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Sept. 17	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	10⅝-10¾	11½-11⅝	11¾-16¼	6⁵⁄₁₆-6⁷⁄₁₆	1⅛-6⅛	6⁵⁄₁₆-6⁷⁄₁₆	11½-11¾	14½-16½	10½-11	11-11¼	6⅛-6⅝	11½-15
7 days' notice	10⅛-10¼	11⅛-11⅝	11¾-12¼	5⅞-5⅞	1⅞-2⅛	6⅜-6⅝	11-11¼	14½-16¾	10¼-11¼	11-11¼	6⅛-6⅝	11½-16
Month	10½-10⅞	11⅛-11⅝	11⅞-16⅛	6⅛-6⅝	6⅛-5⅞	5⅞-5⅞	11-11⅛	14¾-16¼	10¾-11¼	11-11¼	6⅝-6⅞	11½-18
Three months	10½-11⁵⁄₁₆	11⅝-11¾	12-12⅛	6¼-6⅜	5⅜-5⅞	5⅞-5⅞	11¼-11⅜	14⅛-16⅜	10½-11	10⅛-11⅛	6⅝-6⅝	11½-16
Six months	10½-11⁵⁄₁₆	11¾-11⅞	12⅛-12⅜	6½-6⅝	5⅛-5⅞	5½-6⅛	11⅝-11⅝	15¼-16⅝	10½-11	10⅛-11⅛	6⅝-6⅝	11⅝-12⅛
One year	10½-11⁵⁄₁₆	12⅛-12¼	12⅞-16⅝	6⅝-6⅞	6¼-5⅝	6⅛-6¼	16⅛-12⅛	15⅜-16⅞	11-11¼	10⅞-11⅛	6⅛-6⅝	12-12⅛

Asian $ (closing rates in Singapore): Short-term 11½-11⅝ per cent; seven days 11½-11⅝ per cent; one month 11⁹⁄₁₆-11¹¹⁄₁₆ per cent; three months 11¹³⁄₁₆-11¹⁵⁄₁₆ per cent; six months 11⅞-12 per cent; one year 12³⁄₁₆-12⁵⁄₁₆ per cent. Long-term Eurodollars; two years 12¾-13 per cent; three years 12⅞-13⅛ per cent; four years 13-13¼ per cent; five years 13⅛-13⅜ per cent nominal rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days notice.

MONEY MARKETS

Further rise in UK interest rates

UK interest rates continued to rise in London yesterday as sterling sank to further lows. A calm start to trading in New York and a slight improvement in sentiment in the wake of the dockers' decision to return to work helped the pound recover some of its earlier losses however. Consequently rates finished a little off the top but still well up from Monday.

The extent of the market's concern was reflected in a sharp decline in short term rates, suggesting a movement out of the longer periods. So from virtually flat, the yield curve in the interbank market moved to a slightly truer position. Three-month interbank money was quoted at 10⅞-11⅛ per cent up from 10¹¹⁄₁₆-10¹³⁄₁₆ per cent on Monday and 10¼-10⅜ per cent on August 20, the day on which base rates were last cut. Three-month eligible bank bills were bid at 10⁹⁄₁₆-10½ per cent up from 10⅜ per cent. Overnight interbank money opened at 10⅝-10¾ per cent and eased in stages down to 6 per cent before bouncing back briefly to 9 per cent. Thereafter rates fell away to 1 per cent.

The Bank of England forecast a shortage of around £100m, with factors affecting the market including maturing assistance and a take-up of Treasury bills together draining £141m and the unwinding of previous sale and repurchase agreements a further £155m. In addition banks brought forward balances £35m below target. On the other hand, Exchequer transactions added £165m and there was a fall in the note circulation of £65m.

The forecast was later revised to a shortage of around £150m and the Bank gave assistance in the morning of £203m. This comprised purchases of £70m of eligible bank bills in band 3 (34-63 days) at 10¼ per cent and in band 4 (64-91 days) £69m of Treasury bills and £64m of local authority bills, all at 10¼ per cent.

In Brussels the Belgian central Bank cut interest rates on one-, two- and three-month Treasury certificates to 11 per cent from 11.25 per cent. The rate on four-month bond fund paper was also reduced to 11 per cent from 11.25 per cent.

UK clearing banks' base lending rate 10½ per cent (since August 20)

MONEY RATES

Sept. 18	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	6.5-5.55	12½	3¼-3¼	6¾-6⅞	6.08376	17-17⅝	7.65	11⅞-12
One month	5.60-5.75	11⅛-11⅜	5⅛-5⅞	6⅛-6⅛	6.46876	17-17⅝	11-11¼	12⅛-12¼
Two months	5.65-5.80	11⅛-11⅜	—	—	—	—	—	12¾-13
Three months	5.70-5.85	11⁵⁄₁₆-11⅜	6⅛-5⅞	6⅛-6⅜	6.34375	17¼-17⅝	10⅞-11⅛	13-13¼
Six months	5.90-6.05	11⅛-11⅜	—	6⅛-6⅜	—	—	10⅞-11⅛	13⅜-13⅝
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	11	—	6¾	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Sept. 17 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	1-10⅞	9½-10½	7½-10¼	5-10¼	—	—	—	—	—
2 days notice	—	—	10½-10⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	9⅞-10⅝	10⅛-10⅝	10½-10⅝	10-10¼	—	—	—	—	—
One month	10¼-10⅛	10⅞-10⅞	10⅝	—	10⅝	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	10⅞-10⅝	10⅞-11	10⅞	—	11⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	10⅞-10⅝	10⅞-11⅛	11	—	11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	10⅞-11	11-11⅛	11	—	—	—	—	—	—	—
Nine months	11-11⅛	11⅛-11¼	—	—	—	—	—	—	—	—
One year	11-11⅛	11⅛-11¼	11⅛	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	11⅛-11⅛	—	10⅞	11.4-11.5	9⅛-9⅞	9⅞-9⅞
Two months	11⅛-11⅛	—	10⅞	11.4-11.5	9⅞-10	9⅞-10
Three months	11-11⅛	—	11	11.45-11.55	9⅞-10⅛	9⅞-10⅛
Six months	11-11⅛	—	11	11.55-11.65	10-10⅛	10-10⅛
Nine months	11⅛-11⅛	—	11⅛	11.7-11.8	—	—
One year	11⅛-10⅝	—	11⅛	11.8-12.1	10⅛-10⅞	10¼-10⅛
Two years	—	11⅞	—	—	—	—
Three years	—	11⅞	—	—	—	—
Four years	—	11⅞	—	—	—	—
Five years	—	11⅞	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV: Average Rate of Interest period August 8 to September 4, 1984 (inclusive): 10.806 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 11½ per cent from September 1, 1984. London and Scottish Clearing Bank Rates for lending 10½ per cent. London Deposit Rates for sums at seven days' notice 7¼-7½ per cent. Treasury Bills: Average tender rates of discount 9.9454 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 11 per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-12 months 11 per cent. Under £100,000 10¼ per cent from September 12. Deposits held under Series 6 10¼ per cent. The rates for all deposits withdrawn for cash 7 per cent.

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. September 17)

3 months U.S. dollars

bid 11 11/16	offer 11 13/16

6 months U.S. dollars

bid 11 15/16	offer 11 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	13
Broker loan rate	12¼-12½
Fed funds	11
Fed funds at intervention	11½

Treasury Bills

One month	9.95
Two month	10.25
Three month	10.21
Six month	10.38
One year	10.41

Treasury Bonds

Two year	100⅞
Three year	100⅝
Four year	103⅜
Five year	101⅛
Seven year	100⅛
10 year	101⅛
30 year	102⅞

FINANCIAL FUTURES

Gilts recover

Attention and a majority of the day's volume was centred on sterling based instruments in the London International Financial Futures Exchange yesterday. The December gilt traded over 5,000 lots with movement basically mirroring the fortunes of sterling. Three-month sterling deposits acted in a similar manner and weighed in with over 4,000 lots in the December contract.

Gilt values opened easier in line with a weak pound and a further deterioration by the latter prompted selling down to 104.07 from a starting price of 104.24. A low of 104.00 was touched as sterling reached the day's lows and most of the day's business was conducted in a range of 104.00-104.15. The pound's recovery later in the day pushed values firmer as dealers took advantage to cover earlier short positions and the December price finished at 104.31, only slightly down from Monday's close of 105.03.

Three-month sterling deposits followed much the same pattern with the December contract opening at 89.62 before recovering to finish at 89.64.

Euro-dollar prices showed little overall change, reflecting a rather static cash market. From an opening price of 88.60 the DDecember contract was confined to an eight point range before closing at 88.64 compared with Monday's close of 88.59.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	88.64	88.66	88.58	88.59
March	88.32	88.33	88.26	88.25
June	88.05	88.06	88.00	87.96
Sept	87.83	—	—	87.77

Est volume 3,475 (3,068)
Previous day's open int 10,486 (10,279)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
Dec	89.64	89.67	89.29	89.74
March	89.87	89.94	89.28	89.90
June	89.42	89.45	89.25	89.50

Est volume 4,319 (1,289)
Previous day's open int 5,059 (5,091)
*£500,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Sept	105-24	105-24	104-24	105-23
Dec	104-31	105-01	104-00	105-03
March	104-10	—	—	104-14
June	104-07	—	—	104-02
Sept	107-10	—	—	107-07

Est volume 5,360 (2,402)
Previous day's open int 3,050 (2,994)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) per to 08 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	—	—	—	1.2416
Dec	1.2280	1.2285	1.2195	1.2345
March	1.2290	1.2310	1.2230	1.2380
June	1.2370	1.2370	1.2300	1.2440

Est volume 1,785 (879)
Previous day's open int 3,162 (3,057)

CHICAGO

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	68-09	—	—	68-12
Dec	67-19	67-27	67-14	67-19
March	67-02	—	—	66-31

Est volume 793 (1,144)
Previous day's open int 1,371 (1,229)

CERT DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	88.63
Dec	[illegible]	[illegible]	[illegible]	88.69
March	[illegible]	[illegible]	[illegible]	88.37
June	[illegible]	[illegible]	[illegible]	88.08

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	87.51	87.54	87.50	87.45
Dec	[illegible]	[illegible]	[illegible]	88.28
March	[illegible]	[illegible]	[illegible]	87.96
June	[illegible]	[illegible]	[illegible]	87.87
Sept	[illegible]	[illegible]	[illegible]	67.87
Dec	—	—	—	—
March	[illegible]	[illegible]	[illegible]	87.23

STERLING (IMM) Se per £

	Latest	High	Low	Prev
Sept	—	—	—	1.2416
Dec	1.2260	1.2295	1.2195	1.2345
March	1.2290	1.2310	1.2230	1.2380
June	1.2370	1.2370	1.2300	1.2440

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	67-09	67-09	67-07	67-10
Dec	67-01	67-06	66-30	67-03
March	66-05	66-10	66-05	66-10
June	65-20	65-25	65-20	65-21
Sept	—	—	—	65-02
Dec	64-21	64-24	64-21	64-17
March	—	—	—	—
June	—	—	—	63-23

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Dec	0.3269	0.3290	0.3262	0.3298
March	0.3318	—	—	0.3346

Est volume 107 (103)
Previous day's open int 180 (178)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Dec	0.3995	—	—	0.4015

Est volume nil (nil)
Previous day's open int 436 (436)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Dec	0.4109	0.4109	0.4094	0.4086

Est volume 4 (1)
Previous day's open int 427 (427)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	110.10	110.30	109.55	110.00
Dec	110.00	110.40	109.85	110.00
March	110.00	—	—	109.90

Est volume 188 (287)
Previous day's open int 1,113 (1,125)

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	89.81	89.84	89.80	89.81
Dec	88.76	88.82	88.75	88.76
March	88.49	88.49	88.45	89.44
June	89.19	89.19	89.14	89.14
Sept	88.93	88.93	88.93	88.88
Dec	88.74	88.76	88.73	88.69
March	88.56	88.56	—	88.53
June	88.43	88.43	—	88.40

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	68-07	68-10	68-03	68-12
Dec	67-17	67-27	67-14	67-21
March	67-00	67-09	66-28	67-02
June	66-15	66-22	66-12	66-16
Sept	66-02	66-06	65-30	66-05
Dec	65-24	65-26	65-20	65-27
March	—	—	—	65-17
June	65-04	65-11	65-04	65-06
Sept	—	—	—	64-27
Dec	—	—	—	64-25
March	—	—	—	64-19

Company Notices

CAPITAL MARKETS

Debut by 3M group with $100m issue

BY MAGGIE URRY IN LONDON

THE EURODOLLAR bond market again had only one new issue yesterday – though not the long-expected Chevron deal. Instead, 3M, the diversified U.S. manufacturing group, made its debut in the Eurobond market with a $100m issue lead managed by Goldman Sachs.

The company's AAA rating and its rarity value contributed to a 11½ per cent coupon and 99¾ price for the three-year bond. That gives a yield 40 basis points below U.S. Treasury securities of the same maturity terms, nearly as fine as those on which the recent IBM issue is now trading. Rival managers regarded the terms as tight and *Goldman Sachs was thought to be* supporting the deal at a price of 98½, just inside total fees of 1⅜ per cent.

The secondary market for Eurodollar bonds was very quiet with retail investors absent. Prices firmed ⅛ to ¼ point in the morning on short covering but stagnated later.

In the D-Mark sector, Commerzbank's DM 150m 10-year public issue for Ireland was priced at par with an 8 per cent coupon. The issue was well received in a firm market, trading at a discount of about one point, well inside the 1½ per cent selling concession. Monday's deal from Megal also traded well at about 99½, compared with the 99¾ issue price. Seasoned bonds were up to ¼ point better.

New Zealand launched a SwFr 150m public issue, lead managed by SBC. The bonds will have a 10-year life and the yield is indicated at 5¾ per cent. Final terms will be set on September 20.

Also in the Swiss franc market, UBS announced a convertible private placement for the Japanese company Shin-Etsu Chemical, to raise SwFr 30m. The issue will have a 5½-year life, and the coupon is indicated at 2¼ per cent. A put option *after four years at 106¼ will give a* yield of 3.63 per cent.

Strong demand for the SwFr 80m Gunei Chemical warrants deal allowed SBC to set the coupon on the five-year bonds at 4 per cent rather than the 4¼ per cent indicated. The warrants have an exercise premium of 2 per cent.

Seasoned Swiss franc bonds were weaker by ⅛ to ¼ point, again upset by the strength of the dollar.

The European Investment Bank was in the market once more, this time borrowing European Currency Units. A two-tranche deal, with a six-year and a 10-year portion, will raise Ecu 80m. Each part is for Ecu 40m, with the coupon on the shorter issue 10¾ per cent and 11¼ per cent on the longer bonds. Final pricing will be done by lead managers Kredietbank on September 27.

The Ecu market was firmer yesterday, with bond prices up by ¼ to ⅜ point, recovering much of the ground lost before the changes in the Ecu basket.

The World Bank tapped the Norwegian Krone market – strictly controlled by the central bank – for NKr 200m through a seven-year bond, with an 11 per cent coupon and a price of 100¼. The issue is lead managed by Christiania Bank.

OVER-THE-COUNTER

Continued from Page 28

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for September 18.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SECTION IV

FINANCIAL TIMES SURVEY

KENYA

AT THE CROSSROADS

Political power bases are shifting and major structural changes in the economy are under way or promised. Kenya's future will depend on how effectively the Government can implement its development blueprint and combat the drought

Kenya's President Daniel arap Moi: and, in the background, left, the Nairobi city skyline, and scenes of drought in rural areas. On the right, hundreds of Kenyans, led by the President, join the campaign for soil and water preservation.

KENYA is in transition on both the political and economic fronts and the outcome will be critical for the country's future.

There are two tests ahead. Can Kenya emerge successfully from far-reaching changes in its political structure in which new power bases are emerging and the former hegemony of the Kikuyu, the largest tribe, is being eroded? Will a blueprint for major structural changes in the economy be implemented despite severe management weaknesses and the opposition of vested interests?

What is certain is that Kenya has little, if any, margin for error.

MICHAEL HOLMAN reports from Nairobi

A 4 per cent population growth has been outstripping the economy's capacities, whether measured in land (barely 20 per cent is arable), job creation (250,000 school-leavers each year find no wage employment), or agricultural growth rate (Kenya will be hard pressed to feed itself in the 1990s).

After extraordinary growth in the years following independence in 1963, when GDP increased at an annual average of 6.6 per cent, per capita incomes declined.

The easy options of the 1960s and 1970s — subdividing formerly white-owned farms, for example, which helped to satisfy land demand and created jobs — are no longer available.

As Government officials frankly acknowledge, whether in conversation or as set out in the Development Plan for 1984-88, Kenya now faces some hard options. Agricultural productivity must be increased and industry, hitherto dominated by import-substitution work, must become competitive in export markets.

The plan's message is that Government must make more efficient use of less resources; private enterprise must play a major role in development, and the "Wananchi" (the people) should shoulder a greater burden of services previously taken for granted as free or heavily subsidised.

One disquieting factor is that this message is not entirely new. Kenya's development path was mapped by the Vice President, Mr Mwai Kigaki, in a memorable speech over six years ago. Yet little real progress has been made.

In the past decade, the rate of population increase has risen, not fallen. It is certainly a tribute to the medical and social services, but the economic strains are increasingly apparent. Whatever the response to current efforts to curb growth, by the year 2000 there will be more than 34m Kenyans compared with 19m today.

Kenya is beginning to pay the price of the drift in economic policy-making in the late 1970s and the early 1980s, marked by rising balance of payments deficits and huge increases in Government expenditure.

The abortive coup of August 1982 had a salutary effect on the politicians. For however ineffectual the plotters it was a stark warning that all was not well.

In the months that followed, President Daniel arap Moi, who in 1978 succeeded the founding president, the late Jomo Kenyatta, undertook a quiet but fundamental reappraisal.

The cabinet met infrequently and government was little more than *ad hoc* responses to the political trauma and the growing economic crisis.

The reappraisal is nearing completion. Barely an institution has been left untouched, whether the armed forces, the composition of the Cabinet, the civil service, the police, or the state-owned corporations. The main beneficiaries are the Kalenjin people, from the President's own tribe.

Towering over it all is the increasingly powerful office of the President, in which Mr Simon Nyachae, Secretary to the Cabinet, is the key figure after President Moi himself.

Unlike many African countries where a bludgeon would be used, figuratively, if not literally, the technique suggests the rapier or occasionally the stiletto. It includes a fresh mandate at a general election last September, early retirements, reshuffles, diplomatic postings and outright sackings.

At the same time the law has, it seems, caught up with a number of miscreants, many regarded as political opponents, who have thus been forced out of politics.

Enquiry

In a category of his own is Mr Charles Njonjo, once one of the *three most powerful men* in the country, whose old rivalry with Mr Kibaki, arising more from personality than ideology, divided the Kikuyu community and distracted politicians from the really important issues.

Mr Njonjo, his name connected with vague and hitherto unproven allegations of plotting against the Government, lost his Cabinet post and was the subject of an extraordinary commission of enquiry. Although the commission has yet to make its recommendations to the President, it has almost certainly ended Mr Njonjo's *political career*.

"We are seeing the creation of new centres of power, and the decline of the old," says one veteran observer.

Inevitably there is some resentment. "There is an almost audible hum of discontent from among the Kikuyu and the Luos (the second largest tribe)," notes one diplomat.

A leading non-partisan Kenyan agrees but does not find it unduly perturbing. "There is a need to redress certain imbalances of the Kenyatta era when the Kikuyu were favoured," he says. "Today, if there are two equally qualified candidates from different tribes for a university place, the non-Kikuyu will get in."

There is some concern, however, that President Moi may go too far. There are mutterings about developments in the army where, according to some observers, it is possible that by early next year posting and retirements will leave the top three positions in Kalenjin hands.

Mr Moi may simply be *securing his ground in preparation* for two delicate decisions that lie ahead: what to do about Mr Njonjo, whose many political enemies are after his blood; and whether to allow death sentences passed on the coup plotters, many of them Luos, to be executed.

There is also concern about the extraordinary accretion of power to the president's office. "If one has access it's fine," says one leading figure. "But it not one can wait weeks if not months for decisions."

In response, an official close to the President says that the shift is by design, not default, and part of an attempt in strengthen weak management in key sectors such as agriculture and the co-ordination of development.

President Moi himself, the official says, takes an active part in development issues, and after the post-August 1982 period of relative inactivity, the cabinet meets almost once a week.

"There is a real discussion about Kenya's problems for the first time in years," says one participant.

To an outsider, at least, the change from the mood of pre-coup days is striking. The 1984-88 Development Plan (discussed elsewhere in more detail in this survey) has won broad approval. There is also a greater sense of urgency and commitment among the team of economic managers, which has been increased in number over the last two years.

Some of the plan has been implemented, but much more has still to be done. Familiar problems remain, however. Middle management is weak, and politicians and civil servants delay reforms, corruption is widespread.

Questionable decisions have been taken (such as the agreement to purchase two Vosper patrol boats from Britain in a deal exceeding £100m) and commitments, such as changes in grain marketing policy, have been fudged.

If the shifting of power that has been under way leaves the President with more authority to bring about economic reform, Kenya will emerge from the transition much stronger. But the key question remains: can Government promises be translated into action?

Contents

Drought undermines infrastructure

THE ROAD signs on the route from Embu to Kangondi, about 60 miles north-east of Nairobi, are weathered beyond legibility. The gravel surface has so deteriorated that in another year or so only four-wheel-drive cars and lorries will be able to use it without trouble.

The primary schools along the road are little more than flimsy wattle and daub huts while the clinics struggle to maintain services. The hilly terrain is dry. The rains have failed and the maize and cotton fields are parched. Women and children carry plastic jerry cans miles to the nearest water.

It is a picture which reflects two harsh facts of life for Kenya: the economic depression of the past few years (development spending last year fell to 70 per cent of the 1978-79 level) is taking its toll of the country's infrastructure and social fabric.

Drought, the worst for at least 50 years, is wreaking terrible damage, undermining balance of payments projections, growth forecasts and development plan estimates.

The impact of the drought, which will intensify if the "short rains" due in October fail, is hard to quantify. Tea and coffee exports, the main foreign exchange earners, will not be hit as hard as had been feared.

What is certain is that imports of maize bought on commercial terms will cost the Government some $200m this year. Reduced hydroelectric power will mean higher imports of fuel oil and Government expenditure on drought relief will make it difficult to keep to the 1984-85 Budget limits.

Economic trends
MICHAEL HOLMAN

Growth in gross national product will fall well short of the Government's 4 per cent target for 1984, which would have just kept pace with the rate of population increase.

This unexpected worsening of the economic climate has already forced Kenya to shelve plans to negotiate a three-year extended fund facility from the International Monetary Fund. Instead the Government is seeking a one-year stand-by facility.

It is a cruel stroke of misfortune, for when Professor George Saitoti, the Finance Minister, addressed the World Bank-chaired consultative group meeting of donors last January, followed up by last June's Budget, he could point to some encouraging indicators.

For the first time since 1979 the overall balance of payments was in surplus at K£62m and the deficit on the current account of the balance of payments — K£116m — was the lowest since 1977. The Government has had success tackling inflation, however, and the rate fell from 22 per cent in 1982 to 15 per cent last year.

Foreign exchange reserves at the end of 1983 stood at K£254m, nearly double the level at the start of the year and a remarkable recovery from mid-1982. Then the reserves stood at K£95m, barely a month's import cover and the lowest since 1976.

The encouraging figures were the result of several factors. Reserves recovered in part due to inflows from the IMF, World Bank, and donors support in response to appeals from President Moi after the abortive coup in August 1982.

Tea prices were the highest ever recorded, coffee prices were at their highest since 1977 (these two commodities provided 45 per cent of foreign exchange earnings last year) and good weather contributed to a fine growing season.

At the same time, last year saw a major Government effort to contain spending and introduce tighter controls of individual ministry budgets. As a result, all targets under the IMF 176m SDR programme were met (unlike the last, which collapsed in 1982).

A new era

Although the Paris meeting was somewhat sceptical, for reasons discussed later in this article, Professor Saitoti could claim that after a period of drift in the late 1970's and early 1980's Kenya had entered a new era of economic management.

The framework of reform had been set out in two World Bank structural adjustment programmes, the first agreed in 1980 and worth $70m. The second, dating from July 1982, was worth $131m, the final tranche of which was drawn at the end of last December.

If the programme endorsed in the 1984-88 development plan were fully implemented the results would be far-reaching, for hardly a sector of the economy is unaffected.

The programme includes measures to make industry more efficient, increase export incentives, introduce energy planning, ensure better external debt management, strengthen agriculture pricing, reform land tenure, change the grains marketing system, keep interest rates positive and maintain a flexible exchange rate policy.

When Professor Saitoti met donors in Paris he gave them what amounted to a progress report, committed the government to continuation of the programme, and appealed to them for support to cover Kenya's external capital requirements over the 1984-88 Development Plan period — estimated by the World Bank at $4.6 bn.

"Many hard decisions have been made and it took considerable political courage to do so," Professor Saitoti told the donors. He then proceeded to elaborate. Among the measures either taken or planned are the following:

- The budget deficit in 1983-84 would be held to 4.2 per cent of GDP, compared with 9.5 per cent in 1981-82, even though 33 per cent of Government revenue will be required for debt servicing alone. The target was 3.3 per cent in 1987-88;
- The review of state-owned corporations with a view to divestment would be continued;
- The record of aid disbursment would continue to improve (the level of undisbursed aid had already fallen from 68 per cent of commitments in 1980 to 47 per cent in mid-1983);
- The Government's external aid department was strengthened and its project appraisal and monitoring section.

Donors are almost unanimous in agreeing that Kenya's economic management has improved markedly and the economy has been stabilised as a result. But they are more doubtful about the success of the structural adjustment programme, despite Professor Saitoti's efforts and the commitments made in the plan.

Implementation of the programme has been relatively weak, in the opinion of many donors, a number of measures being either behind schedule or still under consideration.

The most contentious issue of all concerns the role of the National Cereals and Produce Board. The World Bank proposed that the board should relinquish its monopoly of grain marketing and take responsibility only for maintaining a strategic food reserve and acting as a buyer of last resort.

The final tranche of the second structural adjustment loan, drawn last December, was released in expectation that the Government would move in this direction.

So far nothing has been done, much to the concern of many donors. At the same time it should be said that the donors' own policies have serious shortcomings. If co-ordination of aid is weak within the Government it is almost as weak among the donors, who have often opted for highly publicised schemes serving their own National interests.

Third loan

Even so, the failure to conclude successfully the second World Bank programme may well make negotiations for a third structural loan — which Kenyan officials claim is essential for the country's development — more difficult.

Meanwhile, the debt service ratio (percentage of export earnings required to service external commitments) climbed from about 3 per cent in the early 1970s to nearly 25 per cent last year.

BALANCE OF PAYMENTS
(Sh.m)

	1979	1980	1981	1982	1983*
Current account:					
Exports	7,710	9,380	9,762	10,456	12,272
Imports	13,686	19,892	19,610	18,433	18,384
(Balance of trade)	−5,988	−10,532	−9,868	−8,027	−6,712
Invisibles	2,262	3,938	3,354	2,597	4,400
Current account: balance	−3,726	−6,574	−6,524	−5,430	−2,412
Capital account:					
Long term	3,790	4,062	3,634	3,181	2,613
Short term	1,286	994	866	153	986
Capital account balance	5,076	5,056	4,500	3,334	3,598
Errors and omission	64	−72	−39	—	−58
Overall balance	1,414	−1,446	−1,985	−2,096	1,228

* Provisional
Source: Central Bank of Kenya

EMPLOYMENT PROJECTIONS; TWO SCENARIOS
(millions of workers)

Year	Non-Agricultural*	Agricultural Worst case†	Agricultural Best case‡
1976	1.2	3.8	3.8
2000	3.0	9.9	9.9
2025	8.0	24.1	12.4
2050	21.8	56.9	4.5

Unemployment held constant at about 1.2m.

* Increases at 4 per cent a year in both cases. † Grows at a constant 3.5 per cent a year. ‡ Growth slows from 3.5 per cent a year in 1976-2000 to 2.5 per cent (2001-2010), 1.5 per cent (2011-2025) and 1 per cent (2026-2050).

Source: World Bank Development Report

Manufacturers asked to increase exports

Industry
MARY ANN FITZGERALD

SLOWLY THE message is coming though to Kenya's manufacturers and other industrialists that the government is expecting a great deal of them.

When Professor George Saitoti, Minister of Finance, met donors at Kenya's consultative group meeting in Paris last January, be set out the balance of payments support that Kenya would need over the next few years. But the longer term objective, he said, was to finance an increasing share of essential imports through the export of Kenyan-produced goods.

The proportion of imports financed by exports reached a low point of 47 per cent in 1980, rose to 49.5 per cent in 1981, and reached 53.2 per cent in 1982.

Much of the improvement however, was achieved by restraining imports and slowing economic growth rather than by increasing exports. "The expansion of exports," says a government assessment tabled in Paris, "is now essential to the future development of the nation."

Foreign exchange

As discussed elsewhere in this survey, this export-oriented industrial strategy has five key components:

- New imports licencing forms and schedules which are designed to make a more rational use of foreign exchange;
- Gradual replacement of quantitative import restrictions by tariffs, slowly reducing the level of protection that industry has enjoyed and forcing the sector to be more efficient;
- An export drive with greater incentives, less red tape and a search for new markets;
- A better investment climate to encourage new ventures and ensure that existing operations expand;
- Maintenance of an appropriate exchange rate.

Although businessmen welcome the new measures, the government may well be too optimistic in assessing their effect. According to official targets, exports other than tea, coffee and petroleum products are expected almost to double from K£281.2m (40 per cent of total) in 1984 to a forecast K£544m in 1988 (48 per cent).

As officials in Nairobi acknowledge, the targets depend on the realisation of what development plan documents call "strong assumptions" sustained international economic recovery, improved access to markets, and the success of the export promotion campaign.

The development plan is equally optimistic about industry's overall potential. It projects growth of 3 per cent in 1984, rising to 7.5 per cent in 1988, compared with 2.2 per cent in 1982 and 4.5 per cent last year.

Although Kenya has reached double figure growth rates in the sector (around 10.5 per cent in real terms between 1972 and 1978) the circumstances were extraordinary.

Import substitution was still a growth area. The sector was boosted by the coffee boom of 1977-78, and two industries in particular, textiles and clothing and transport equipment, flourished. Today, despite protection, the textile industry is in financial difficulties and it is difficult to make a case for further expansion of the workshops which assemble motor vehicles from imported parts. One authoritative report says it is "questionable" whether importing parts and assembling vehicles locally saves any foreign exchange.

New growth areas, will therefore have to come from industries capable of adapting to the new economic climate and, in particular, able to processs locally-available raw materials.

It can be done, as CPC Kenya, has shown. A food processor with headquarters in the U.S., CPC has seen its local content rise from almost nil when it began in 1973 to an expected 80 per cent next year.

Without doubt the most serious problem afflicting manufacturers is price control. Throughout industry there are complaints that price increases, which ought to be linked to inflation, are too little and too late. As a result, they say, profits are dented and expansion plans disrupted.

The most outstanding case is probably Bamburi Portland Cement, an export-oriented company jointly owned by the Government, Cementia Holdings of Switzerland and Blue Circle Industries of the UK. The company failed to pay a dividend last year for the first time in its 30-year history, despite record cement sales of K£21.5m.

Bamburi has therefore been forced to reschedule its payments on offshore loans.

Another area of contention is the relationship between the public and private sectors. In recent years Kenya has been shocked by several notable failures of joint ventures between the state and private entrepreneurs.

Ethanol fiasco

The Kenya Chemical and Food Corporation (KCFC), designed to produce ethanol as a motor vehicle fuel, has been in receivership since last year without ever opening its doors. Financing requirements more than doubled to K£75m, and construction stopped when Kenya refused to guarantee a second, unscheduled syndicated Eurodollar loan of $30m.

Although the plant was the brainchild of Mr Nitin Madhvani, a Uganda businessman, the brunt of the fiasco has been borne by Kenya, as the Government in Nairobi is the major shareholder.

The Government's mixed success in joint ventures and state-owned corporations (parastatals) came under close scrutiny when a working party on Government expenditures, under the chairmanship of Mr Philip Ndegwa (now the Central Bank Governor) was appointed in July 1982.

The subsequent report was a remarkably frank assessment of the post-independence record. "The proliferation of commercial activities by Government has diverted scarce resource management away from the central functions of Government," it declared.

Many of Government's commercial investments, it said, "could be more productive, better managed and more profitable in tha bands of private owners."

Progress towards implementation of the report's recommendations bas been slow, bowever. A Government task force on divestiture has been set up but bas yet to make specific proposals.

EXTERNAL PUBLIC DEBT SERVICING RATIOS
(percentages)

Calendar year	Total debt service to GDP	Total debt service to exports	Financial year	Total central government debt service to recurrent revenue (incl. Transfers)
1980	3.5	12.2	1980-81	9.8
1981	4.6	17.9	1981-82	13.9
1982	5.9	23.6	1982-83	14.7
1983 est. ...	6.3†	24.8†	1983-84 (est.)	15.3†

Rising debt service commitments are proving a major factor in Kenya's balance of payments prospects. External debt outstanding and disbursed has increased from just under US$1bn at the beginning of 1978 to about US$2.8bn at the end of 1982 (not including debt to the IMF).

The debt service ratio (the ratio of interest and amortisation payments to export of goods and services) has risen from 7 per cent in 1977 to around 25 per cent in 1983, including debt to the International Monetary Fund (IMF).

† Excluding debt service on external borrowing after June 1983.
Source: Development Plan 1984-88.

Plea to make better use of resources

KENYA HAS long been regarded by many Western countries as a model for development in Africa, following broadly capitalist principles and encouraging foreign investment.

The model has taken a knock over recent years, however, as the remarkable growth of the first post-independence decade began to peter out in the late 1970s. *The reasons are Kenya's declining terms of trade* with the outside world, the impact of oil price increases and world recession, and shortcomings in the Kenyan model itself.

It is an examination of these shortcomings and the outline of proposals to remedy them which make Kenya's new development plan for the period 1984-88 a remarkable document.

To a far greater extent than the plans of the past, it is an attempt to restructure the Kenyan economy; and it is part of a process which began over two years ago.

A working party on Government expenditure, chaired by Mr Philip Ndegwa, a former economic advisor to President Moi and now Central Bank Governor, was set up in January 1982.

Its conclusions startled many Kenyans. The government's "serious financial crisis," it declared, had two roots: external events and a "stronger but less well perceived root — the proliferation of commercial activities by Government which was diverted scarce management talent away from the central functions of Government."

This, together with heavily subsidised social and other services, has led to an "unmanageable" growth in Government expenditure.

The working party's analysis is in effect the first part of the country's development plan. The decision, in principle at least, has been taken for the strategy and the part to be played by private enterprise.

The plan states, for example, that the rapid growth of Government services has to be restrained and Kenyans will be expected to share the costs.

Development Plan

MICHAEL HOLMAN

"The small sums that they will be asked to pay," says Professor George Saitoti in his introduc-set out in the plan itself and is dominated by the recommendations of what has become known as the Ndegwa Report.

The official theme of the development plan is "mobilisation of domestic resources for equitable development," accompanied by greater emphasis on decentralisation and making the district the focus for rural development.

Behind these somewhat bland phrases lie far-reaching re-assessment of the Government's role, citizens' responsibilities tion, "will enable the Government to extend the facilities which have enhanced the Citizen's welfare, such as education and health services, to the less favoured areas."

Government, says the plan, must make better use of its resources: "The nearly 29 per cent of gross domestic product which was diverted to Government use as recently as 1980-81 is excessive. During this plan period tha Government intends to hold this ratio to approximately 25 per cent, thus leaving more resources for direct use by Kenyans."

In a key statement of principle, rare among governments in Black Africa, the plan declares that "growth in the private sector is the core of the development process."

Unlike past plans there are no elaborate schemes or expensive projects to be launched over the next five years. Instead the emphasis is on the maintenance and rehabilitation of existing facilites and better use of existing capacity.

In the frank style of previous plans and sessional papers (White Papers), the planners make no bones about the severe constraints and problems to be faced.

Kenya's capacity to borrow "has been nearly exhausted": unemployment, however defined, is growing: the real value of total fixed investment has been falling since 1978: the Budget deficit as a percentage of GDP has more than doubled from 5.3 per cent in 1964-65 to 12 per cent in 1980-81.

It is just as well that the principles of the plan are seen as important as the objectives, for these—perhaps ambitious at the time the plan was drawn up—are now certain to be set back by the drought.

The assumption that "by 1984 the economy will emerge from the recession of recent years," for example, is already invalid. Planners had expected that the recovery would gather strength progressively during the years of the plan, with annual growth in GDP rising from 4 per cent in 1984 to 5.6 per cent in 1988, giving an average annual growth of 4.9 per cent in real terms and a per capita income growth of just over 1 per cent a year.

The last development plan achieved an average rate of real growth over five years of only 4.3 per cent against a target of 6.3 per cent. Many observers believe that because of drought, Kenya will be lucky to better 4.3 per cent.

But the real test of the current plan is less the rate of growth achieved than the capacity to put the blueprint for restructuring the economy into practice.

Price controls curb expansion

Investment

ROBERT SHAW

KENYA is one of the few countries in Africa that can credibly boast a secure and attractive investment climate, with vigorous private companies operating alongside state institutions in a broadly capitalist economy.

The legal basis of investment is the Foreign Investment Protection Act, which includes a guarantee of full and prompt compensation should a property ever be compulsorily taken over.

It provided an attractive range of incentives combined with a well developed infrastructure, ample labour, and advanced banking services and made Kenya a favourite objective for investors in the post-indepdence decade.

It continued into the 1970s when new long-term inflows of private capital peaked at just over K£80m, partly offset by the outflow of profits and dividends in 1979. By that time the mood had already begun to change, prompted first by the break-up in 1977 of the East Africa Community, which reduced Nairobi's advantages as a regional centre.

About the same time it was becoming apparent that the limit of the import substitution strategy was near, and Kenya had entered a more demanding era of export-oriented industries which have to face vigorous competition on the world market.

Meanwhile, parent companies, coming to terms with the Western recession, were taking a harder look at their overseas operations. The failed coup of August 1982 dented Kenya's reputation for political stability.

The overall effect during the past two or three years has led to some disinvestment—far from an exodus but enough to give the Government cause for concern and underline the need for an overhaul of investment policy.

Accurate figures concerning the level of involvement by the two main investing nations, the UK and the U.S., are not available, but they are estimated at around £100m and $250m respectively. Foreign investors total about 500.

Among the most sensitive issues for companies already in Kenya, and a possible deterrent to would-be investors, is the Government's price control policy.

Plant sold off

It was a major factor in the decision of Cadbury Schweppes, for example, to sell off its bottling plants over the past two years. Mr Paul Judge, former managing director of Cadbury Schweppes (Kenya) and now the company's group planning director based in London, says the decision was influenced "by the decline in the growth of the soft drinks industry, further aggravated by rigid price control."

Price control is also worrying several other foreign investors, notably Union Carbide in Nakuru (batteries) and Bamburi Portland Cement in Mombasa.

A third major investor less than satisfied with the Kenyan business climate is Firestone (East Africa), whose parent company is attempting to reduce its equity from 70 per cent to about 30 per cent.

Other long-established investors take a different view, however. Mr Richard Johnson, managing director of General Motors (Kenya), is planning further investment at its Nairobi plant and believes that Kenya remains an attractive prospect.

The most striking difference often cited by investors is Kenya's generally good record concerning remittance of profits and dividends. After a bold-up in the early 1980s the relatively small backlog was cleared in stages during 1983.

Many overseas companies have received Central Bank approval for their 1983 remittances and the delay between approval and receipt is unlikely to be more than four months.

Even so, the Government agrees that more can be done. In late 1982 the Investment Advisory and Promotion Centre was established to provide what its director, Mr Yusef Ali, calls "a one-stop office" for the would-be investor.

Mr Ali's appointment reverses the usual trend in Kenya (leaving the Civil Service to join the private sector) for he has taken the IDPC job after 20 years in banking.

He has no illusions about the frustrations caused by the red tape and delays in the past. "First of all I want to *simplify* the investment process, and my office will act as a co-ordinator," be says.

"But we must also introduce several other measures to improve the investment climate," he says. Among the proposals either under way or under consideration are:

- Licensing industrialists to manufacture in bond at Nairobi, Mombasa and Kisumu, on condition that all the output is exported. Although this is an idea that has long been mooted, Mr Ali is emphatic that it will be implemented this year.
- The provision by the IDPC of serviced 500-acre industrial sites at Thika, outside Mombasa and at Kisumu, thus cutting infrastructural and land costs for the prospective manufacturers.
- Further reductions in the import duty on machinery, which currently ranges from 20 per cent to 60 per cent. "I want it down to a maximum of 20 per cent and without the existing sales tax levied (17 per cent of landed cost value and duty)," says Mr Ali.
- Exemption from local income tax for resident expatriates.
- The promise of the IDPC's help "on a case-by-case basis" for manufacturers having problems with price controls.

The success of the centre, local businessman believe, will largely depend on two things. Mr Ali's capacity to influence and co-ordinate the several ministries involved in any investment project; and whether the revised package will, when implemented, be sufficient to attract new investment and secure what already exists.

When the waiting had to stop

Import quotas

ROBERT SHAW

FEW ISSUES so preoccupy the Kenyan business community, or take up so much time, as the country's import licence system.

Barely a company is unaffected, as directly or indirectly, most depend on imported raw materials or spare parts. This in turn goes to the heart of the problem which has been confronting the country's planners for several years.

The post-independence boom in manufacturing and industry owed much to an import substitution strategy which allowed new ventures to operate behind substantial government protection.

The products were frequently overpriced and of indifferent quality. As foreign exchange grew and the Government urged manufacturers to look for export markets, a new import allocation system became essential. This had to ensure that the flow of essential raw materials and spare parts continued; give preference to companies with proven or potential export markets but gradually exposed the inefficient to outside competition.

It was a formidable task, and Kenya's first attempt to come to grips with the problem through import licensing schedules, introduced in late 1981, soon ran into trouble.

By March 1982, it was apparent that the system was *not* working. The imports office continued to approve licences on the basis of new schedules, and forward the appropriate forms to the central bank.

But there they sat, for the country had entered into its most serious balance of payments problem for several years. By mid-1982, foreign exchange reserves had fallen to less than KSh 2bn, barely a month's import cover, and the lowest level since 1975.

Businessmen recall the period with a shudder: "the gap between an application and its approval was about nine months," recalls one.

By the end of 1982, many importers, particularly manufacturers, were running out of essential items and there appeared no clear rationale behind the allocation of such foreign exchange as was available. Companies began to wind down or suspend operations and lay off staff.

This position had been exacerbated by the abortive coup in August that year, which is estimated to have cost Kenya some $200m through lost tourist earnings, looting and damage to Nairobi's shops and capital outflow.

The principle of import schedules was not, however, abandoned—partly because the World Bank continued to urge reform on a government which accepted the need for change.

Fortunately for the administration, the economy improved notably in the course of 1983. Donors responded to President Moi's appeal for balance of payments support, tourism recovered and the main export crops—tea and coffee—did well.

Import licences thus became more readily available, but it was acknowledged that the licensing system needed further revision. In mid-year, the Government promised a new schedule, and the business community and Kenya's donors awaited the implementation impatiently.

Less delay

But it was not until next January 1984 that Prof George Saitoti, Minister of Finance, was ableto reassure the consultative group meeting of donors in Paris that the licensing forms and schedules were in operation.

The mood of the business community today is brighter than for some time. "Two things have happened," one businessman says. "The gap between application and approval is only two months."

That is not to say that the system is without flaws to be overcome:

- Applications for imports under Schedule 1 A, for example—which should be automatic—are still being checked by the Imports Management Committee, apparently to ensure that there is no overstocking.
- Collation of importers' quota requests under Schedule 1B and the data supplied by importers on import approvals over the past two years has not been completed—making it impossible to judge requests on the basis of track records.

It is also impossible to begin the pruning which would eliminate inefficient or unnecessary foreign exchange consumers falling under Schedule 1B, for which there is a limited allocation of foreign exchange.

- Some items in Schedules 2A or 2B—which also have foreign exchange limits—are being moved into priority schedules 1A or 1B. There sometimes have valid reasons, but businessmen suspect they can be in response to pressure from civil servants with business interests, or politicians protecting their own companies.
- The considerable paperwork at several levels has left the system vulnerable to corruption. Many businessmen claim that middle-rank officials continue to demand bribes.
- The Import Management Committee, too secretive about its operations, many businessmen say. "We sometimes cannot find out what sound commercial reasons there have been for moving an item into a different category," complained one importer. Most importers are recieving adequate licences for their essential items.

Nevertheles, life for most companies has become considerably easier. The real test of the revised system will come when the drought takes its toll on foreign exchange reserves.

"We will see whether scarce resources are efficiently allocated," according to a leading businessman.

Proliferation of new services

Banking
MARY ANN FITZGERALD

WATCHERS of Kenya's money market count the country's two dozen commercial banks and three dozen financial institutions and wonder whether this proliferation of banking services has not exceeded the market place.

Even more paradoxical is the banks' rationale for starting up when interest rates imposed by the central bank, coupled with a 20 per cent liquidity ratio, decree that profit on loans is an unencouraging spread of less than one percentage point.

Nevertheless, several new banks have appeared over the past few years, and each has its allotted role in what might seem an overcrowded arena.

"As banking disciplines become a little more demanding, people want to have a bank that understands their particular way of doing business. They want to entrust their money to institutions well practised in dealing with people of their own kind." This is the explanation offered by a commercial banker for the rash of banks and finance houses that have emerged in spite of tight credit, narrow margins and an economic recession.

Banks look at trade finance in coffee, tea and oil as the main source for making money. Thus over the last three years, the Abu Dbabi-based Middle East Bank and the Bank of Oman hava opened offices in Nairobi to capture trade flows to the Middle East and Pakistan.

They were preceded by the Habib Bank, Bank of Baroda, Bank of Credit and Commerce International and the Banque de L'Indochin et Suez. These look east as well as towards Europe for trade financing, because of Asian ownership.

Custom is drawn mainly from Kenya's powerful Asian business community of Indian and Pakistani origin. Next month tha Biashara Bank will be opening its doors to cater for the shahs of the Asian community, who are by tradition traders.

This clanishness is reflected elsewhere. European and American businesses prefer the more conservative banks with global networks such as Barclays and Standard, both established in Kenya's colonial era, and the Commercial Bank of Africa, managed by Bank of America.

Given that credit continues to be tight, it pays to do business with a bank where an international relationship can successfully influence the outcome of an application for working capital.

More recently, three local banks controlled by the Kikuyu tribe have been established — Pan African, Continental, and Union Bank of Kenya. Observers believe these domestic banks use the "old boy network" to build deposit bases with parastatal (state owned companies) money.

In spite of the gradual erosion of Kikuyu commercial power, many government institutions are still managed by the tribe's members and, as one banker put it, "a few phone calls can shift accounts that are valued in millions of shillings."

Previously, the state-owned National Bank of Kenya managed most government business. Public confidence was eroded following rumours of financial mismanagement.

Last year the bank managed to wipe out losses carried forward for several years. But it has been doing little lending lately. Its ratio of loans to deposits is nearly 94 per cent, which is unusually high. The banking community believes that NBK may merge with the state-controlled Kenya Commercial Bank.

KCB was once an affiliate of the UK's Grindlays. It has the largest deposit base of all the banks, drawn from a wide network of more than 80 branches.

Rural markets are being pursued by Barclays and Standard. Both have more than 50 branches in small towns all over Kenya, yet the provision of banking for the common man is an untapped area.

One reason is that bringing banking to the more remote outposts of the country is costly, both in transport and security. Nor has the public been educated in the advantages of a banking system. Many villagers still prefer to keep their money under their mattresses, while nomads keep it knotted in old socks.

In Nairobi, businessmen praise the many facets of the well-structured financial market. The money market is predictable, based on the ebb and flow of corporate tax payments in March and September, and regular coffee and tea earnings.

Although the commercial banks are looking at the liquidity situation cautiously, the enterprising businessman can find a source for nearly every capital requirement. Banks are eager to supply trade finance, and will offer working capital to most viable projects — "though we may need a little prodding," one banker said.

Hire purchase companies handle fleet financing, and fixed assets can be bought with costly finance house loans. More elusive long-term capital used to be provided by state-involved development banks, whose capital is now drying up. But the institutional market, particularly insurance companies and pension funds, is still willing to take modest risks.

Thanks to its reputation for good financial management, Kenya's credit rating is still one of the best in Africa. Nevertheless, overseas banks show little enthusiasm for lending to the state unless the package is four parts overseas risk to one part Kenyan.

Last month, Exim Bank issued a preliminary commitment to underwrite Kenya Airways' purchase of two Boeing 767s, but otherwise interest in the market place has been scant.

Another indication of the international banking community's attitude towards Kenya is the failure of most regional representative offices to open a local branch, unlike most other countries. In Kenya, the role is confined to a listening post.

Interest rates

BANKERS sometimes grouse at tho Central Bank of Kenya's policy on interest rates but concur that it is usually reasonable.

The June budget lowered lending rates from 15 to 14 per cent for commercial banks and from 20 to 19 per cent for financial institutions. But it also reduced the minimum deposit rate from 12.5 per cent to 11 per cent.

Commercial banks must maintain a 20 per cent reserve ratio, so the effective spread on loans works out at slightly less than 1 per cent—up on previous years when profit margins were [illegible] per cent. The move was a trade-off against a central bank directive issued in November 1983 forbidding commercial banks to charge commitment and other fees.

Businessmen would like to see a change in the borrowing ceiling imposed by the Central Bank for companies with foreign participation.

Access to borrowing in Kenya shillings is limited to 20 to 60 per cent of share capital, unimpaired reserves and foreign loans, depending on the extent of offshore equity. The Central Bank has resisted reform because the domestic capital market is already over-extended, officials say.

Companies are encouraged to borrow offshore instead, an unpopular policy in view of possible further devaluations.

Bank plays unique role in the region

East African Development Bank
MICHAEL HOLMAN

LAST NOVEMBER marked both the final spasm in the sad saga of the defunct East African Community and the start of what the region hopes will be a new era of co-operation—albeit without the formal economic ties that once linked Kenya, Uganda and Tanzania.

At a ceremony in Arusha, northern Tanzania, the three countries' presidents formally agreed on the division of the community's assets after six years of negotiation.

Throughout these years, however, one important institution continued to function and today it hopes to benefit from the easing of regional differences—the East African Development Bank.

"We cannot go it alone but we can show the way," says the bank's recently-appointed director-general Mr Per Aasmundrud, who was formerly vice-president of the Nordic Investment Bank and has also worked for the African Development Bank in Abidjan.

The initial objective of the bank, founded in 1967, was to foster industrial development. But in 1980 this remit was extended to include tourism, agriculture, transport and communications.

Of the bank's capital of SDR 13m (Special Drawing Rights) 92.4 per cent is owned in equal parts by the three East African governments, 2.7 per cent by the African Development Bank, and 4.9 per cent by foreign and local banks and institutions.

"The first 10 years of the bank were successful," says Mr Aasmundrud. "But in the years that followed the break-up the operations became more national and less regional."

The bank's lending fell from an average of $8m a year in the mid-1970s to almost a standstill in 1979.

Despite the fall, the three governments were anxious that the institution should survive. In 1980 they signed a treaty which ensured that it would remain a common asset and laid the basis for what Mr Aasmundrud calls "a period of rebuilding and reconstruction" under his predecessor, Mr Lars Ekengren.

Until 1981 the sources of finance were the initially paid-in capital and loans extended by the World Bank, the African Development Bank, and Sida of Sweden.

But in 1982 the bank's resource base was widened to include, among others, Norad (Norway), FMO (Netherlands) and the European Investment Bank. The bank also broadened its access to advice and special skills and appointed an advisory panel which included Mr Robert McNamara, former president of the World Bank.

As a result the bank was able to lend a record $14.5m last year. "If we can increase the share capital and raise more funds we will be able to lend over $20m in 1985," says Mr Aasmundrud.

The director-general is anxious to shift bank lending from national projects to regional development projects. He cites as an example the microwave radio link being set up with bank assistance between Masaka in Uganda and Bukoba in Tanzania, which will also help to improve communications with Zambia, Malawi and Zimbabwe.

"But it cannot come as an abrupt change. There has to be a gradual shift from national to regional," says Mr Aasmundrud. Meanwhile, the viability of existing projects is coming under scrutiny. "We cannot throw good money after bad. We have to operate on sound, pragmatic principles," he adds.

The bank's interests range from a Land-Rover reconditioning plant in Tanzania to assistance to the Uganda Electricity Board and textile mills in Kenya.

Most of the projects are vulnerable to the region's economic difficulties. Tanzania's foreign exchange constraints have led to shortages of spare parts and imported raw materials. Uganda, still struggling to recover from the disastrous Amin era, has a record of slow implementation.

In Kenya textile mills in which the bank has been involved have faced problems caused by shortages of locally-produced raw materials and inputs.

"It is a little soon to talk of new regional projects," says Mr Aasmundrud. "But we are uniquely placed to act as sponsors of feasibility studies, as initiators or co-ordinators."

NON-AGRICULTURAL EXPORTS

	1979	1980	1981	1982	1983†
Petroleum products (million litres)	1,174	1,825	1,411	1,000	739
Meat products (tonnes)	2,643	1,253	1,890	2,916	2,370
Hides and skins (tonnes)	13,081	8,485	12,964	11,136	9,173
Soda ash (tonnes)	215,669	192,821	113,659	136,468	130,042
Fluorspar (tonnes)	59,352	100,674	59,303	74,389	48,899
Cement (tonnes)	510,296	530,393	668,037	737,422	769,795

† Provisional.
Source: Kenya Central Bureau of Statistics Economic Survey 1984

Significant efforts to boost trade

Exports
ROBERT SHAW

LAST MAY saw a landmark in Kenya's efforts to boost exports. For the first time representatives of Government and private enterprise gathered at the Kenyatta Centre in Nairobi to discuss the strategy to make 1984 "Kenya Export Year."

The government side, led by Vice-President Mwai Kibaki and Central Bank Governor Mr Philip Ngewa, met businessmen to identify and discuss the problems of exporting and to seek ways to lessen Kenya's dependence on its two main export crops—coffee and tea.

Some significant efforts have already been made by the Government. This year's Budget, for example, reduced import duty on many items, including some raw materials, by about 14 per cent.

The basic rate of export compensation was increased from 10 per cent to 15 per cent and while the rate of rises in existing levels fell from 15 to 10 per cent the overall result is that most exporters can expect substantially more money through rebates.

Kenya has also been active in establishing the preferential trade agreement which the Government hopes, will gradually make other African markets more accessible.

The Department of External Trade followed up the export conference with a series of meetings with various sectors of industry, exploring several projects and ideas. The export processing zone is a proposal now approaching implementation, but the export credit guarantee scheme is still under discussion.

The most promising area for expansion, Government officials believe, lies in the processing and packing of agricultural produce. One success story is that of the canned pineapples industry. The Kenya Canners' plant at Thika, owned by Del Moote of the U.S., grows, processes and cans pineapples of which 98 per cent are exported.

Between 1980 and 1983 the value of Kenya Canners' exports more than doubled from K£11.4m to K£25m. Del Monte's regional vice-president, Mr Edward Glover, says that Kenya Canners' output capacity is to be increased by some 40 per cent over the next five years.

Kenya is good pineapple-growing country, says Del Monte. Kenya Canners has benefited from the recent reduction in the duty on tinplate, the company will benefit from the export compensation changes, and the market is there—particularly after the closing of Del Monte's Hawaii operations.

But Kenya Canners' expansion is not typical and the Government may be too optimistic in its hopes for the non-traditional export sector. The country's five-year economic plan for 1984-1988 projects a 6 per cent increase over the period after years of negligible growth.

One economist says: "This would require a 4 per cent annual growth in GDP and a 5 per cent growth rate in agriculture, which may be unrealistic."

A further reservation about the target involves the sheer volume of paperwork and the time required to comply with export formalities. Despite Government promises to cut red tape, one exporter has found that since Kenya Export Year was proclaimed "I need five more signatures on my export documents and the time required has doubled."

The process involves at least eight different officials, he says, and the only people who act speedily are the staff at the Central Bank of Kenya.

A further concern is whether Kenya, with relatively few mineral resources, a comparatively small home market, and therefore a high import content in many of its manufactured goods, can really be competitive abroad.

The production cost of a locally-made tyre, for example, is equal to the landed cost of an imported tyre. General Motors (Kenya) finds that it can only just be competitive in truck exports to Uganda but not in pick-up vehicles.

A trade delegation visiting Nairobi from Rwanda complained about the generally high prices of Kenyan goods—yet Rwanda is geographically an ideal market for Kenyan goods.

Yet another serious question is how much foreign exchange would actually be earned. An examination of the Kenyan textile industry by a World Bank economist, Mr Walter Hecox, concludes that there is a net loss of foreign exchange.

Some other economists perceive a danger that the export drive might consume large quantities of imported raw materials and other necessities without producing the desired export benefits in terms of foreign currency.

Import licensing schedules

1A—mainly raw materials, agricultural equipment and pharmaceuticals.

1B—manufactured or finished items such as spare parts and machinery.

2A—luxury or non-essential items.

2AS—oil or fertilisers.

2B—finished items available locally.

Summary of New Regulations

1A will not be subject to quota, and will be automatically processed by the import-export licensing office. Foreign exchange will be authorised by the Central Bank of Kenya as a matter of priority but on condition that there will be no overstocking. Applications for items falling under other schedules (1B, 2A and 2B) will be subject to greater control. Preference will be given to export producers. Licences for items such as oil and fertilisers (2AS) will be given only to authorised importers.

Search for geothermal steam

Energy

MARY ANN FITZGERALD

IN THE SHADOW of one of the Rift Valley's dormant volcanoes a Masai woman draped in a red-checked cloth catches water from a leaking pipe protruding from a shiny rig several storeys high that is drilling for geothermal steam.

When the woman gets back to her mud hut she will boil the water over a wood fire to make tea. This odd blend of the past and the future sums up both Kenya's grave energy problem and its efforts to reduce its dependence on imported oil.

The energy issue is almost certainly the second largest barrier to Kenyan development after the population explosion. Since Opec sent oil prices soaring in the 1970s Kenya has been struggling to reverse the effects on its economy by seeking a range of new energy sources: hydro and geothermal energy for electricity, alcohol processed from molasses to drive cars, and coal for factories.

Yet transport, industry and electricity still depend on oil for some 80 per cent of their energy needs.

By all accounts, Kenya's heavy reliance on wood and oil is straining the country's financial and ecological resources almost to breaking point.

Deforestation leads to soil erosion and reduces agricultural potential, while crude oil imports absorb 40 per cent of foreign exchange earnings.

Yet for country folk and many town dwellers wood remains the primary energy source. It accounted for 75 per cent of Kenya's 1983 energy consumption of 5.1m tons of fuel (oil-equivalent) and there is no ready alternative.

The consequences are alarming. Last year alone, 22m tons of wood was removed from the land and Kenya's once-magnificent indigenous forests have been denuded by smallholders chopping down trees to sell as charcoal.

In response, a pilot project was launched three years ago to educate smallholders in agro-forestry. Farmers are taught to interplant crops with fast-growing trees which can be cut down within three or four years.

Farmers are shown prototypes of fuel-efficient wood and charcoal stoves they can make themselves from clay, tinplate and stone. There are also plans to establish tree plantations outside towns to supply urban areas with charcoal made in fuel-efficient kilns.

Kenya's hydro and geothermal energy potential is perhaps more substantial. Geothermal energy is the natural heat of the earth's crust stored in subterranean rock and water, producing steam which can be tapped by vertical drilling.

Expensive source

The 1984-88 development plan says it can meet most of Kenya's needs over the next two decades, but the country will be hard-pressed to find funds to exploit such an expensive energy source.

Independent forecasts suggest that hydro and geothermal energy may grow by only 5 per cent by 1990—to 25 per cent of commercial energy consumption—while oil use will decline by 7 per cent to 68 per cent.

Even so, progress has been made. Geothermal drilling carried out with finance from the World Bank, the European Investment Bank and the Commonwealth Development Corporation now provides about 12 per cent of Kenya's electricity.

Two of these units now generate 30MW of power and another 15 MW station is due to start running next year.

At the end of last year, the United Nations Development Programme began a five-year geothermal exploration in the Central Rift Valley, which could yield as much as 700MW. But such sources will take at least three years to generate electricity.

Kenya's hydro - electric potential exceeds 700MW, with the Tana River contributing more than half. But here again development is constrained by finance. Construction of the 140MW Kiambere Dam, Kenya's most ambitious hydro-electric project for many years, is likely to be delayed by a year and will come into use in 1988.

No more hydro-electric projects are on the horizon. "Kenya has reached the peak of its development in this sector because the capital burden is so hefty," says a power company economist. "The debt service commitment has reached the stage where we cannot afford to take on any new projects."

As for oil, it will continue to haunt Kenya's financial forecasts. Imports of crude fell to 10.8m barrels last year (the lowest level since the 1970s) from 11.8m barrels in 1982, partly due to the recession and heavy consumer taxes (retail prices of petroleum products rose 161 per cent between 1979 and 1982).

But in the view of most analysts there is little hope that alternative energy sources will allow Kenya's oil imports to fall significantly in the foreseeable future.

High birth rate alarms President

Population trends

MICHAEL HOLMAN

WHETHER in major speeches or at village meetings, President Moi, backed by senior ministers, is trying to warn Kenya's 19m people of the consequences of the country's 4 per cent annual population increase.

"It is only the birds that lay eggs and leave the young ones to strive for life when hatched," the President told leaders of Voi district last month. "Human beings should produce only what they can maintain."

His message was spelt out in starker terms and detail in a 200-page World Bank study published in 1980. "Unless the population growth rate slows dramatically by the year 2000, the Kenyan development problem may become insoluble."

At first sight the problem seems overwhelming:

● Demographic factors mean that by the year 2000 the country's population will exceed 34m—a doubling over 20 years. This represents the highest rate in the world, with the possible exception of Zimbabwe.

● The school-age population will triple by the end of the century. Yet, as Mr Mwai Kibaki, the Vice-President, pointed out at a population conference in Nairobi, education already consumes about 30 per cent of the budget. The expansion means that an extra 85,000 classrooms and as many new teachers will be needed.

● The working-age population will more than double by the end of the century, yet only a small proportion will find jobs in the wage-paying formal sector. A "worst case" scenario set out in the World Bank's development report for 1984, which concentrated on population issues, showed Kenya's agricultural workforce "would still be increasing in absolute size even 100 years from now."

The "best case" scenario—based on a decline in fertility beginning in the mid 1980s—is still alarming. Not until 2025 will the number of agricultural workers start to decline, and the sector would have to absorb more than 70 per cent of the growth in the labour force for the rest of this century.

● Suitable agricultural land, however, is at a premium. Only about 9 per cent of the country is classified as high potential, and a further 9 per cent as medium potential. The rest is arid or semi-arid, which for the most part can be brought into productive use only through expensive irrigation projects, most of which are beyond Kenya's reach.

The Food and Agriculture Organisation estimated in 1976 that the country's population density of 231 persons per square kilometer of agricultural land was nearly six times Africa's average.

● One result is the increasing pressure on land, shown by the steady reduction in the size of average smallholdings. On a per capita basis, the availability of high-potential land is falling from 0.75 hectares in 1975 to a projected 0.2 hectares in the year 2000. One study estimates that in the mid-1970s, 11 per cent of Kenyan households were landless.

● A survey in 1977-78 found that among women with eight living children (the average number borne by Kenyan women), only 48 per cent said that they wanted no more.

The population boom is in part a tribute to Kenya's post-independence achievements in social services. The death rate has fallen from 20 per thousand in 1963—the year of independence—to 14 in 1982. Infant mortality has dropped from 120 to 86 per thousand, and life expectancy at birth has risen from 40 to 54.

The boom is also a consequence of the politicians' failure until comparatively recently to offer anything other than lip service to the problem. That seems to be changing. "Kenyans perceptions of the costs of children have sharpened dramatically in the past few years," says one aid official working on population planning.

Family planning

"The economic recession, rising school fees, and escalating costs of arable land are responsible." At the same time, "most of the necessary infrastructure for family planning, promotion and services already exists or is coming into place."

Officials in government and non-government organisations believe that the repeated strictures from President Moi and senior ministers are also helping to change the national attitude. A private clinic in Meru district, for example, using volunteer workers supervised by local health committees, has raised contraceptive use in the district to 28 per cent, compared with the national rate of 7 per cent.

Overall responsibility for encouraging and administering the apparent change lies with the National Council for Population and Development. This comes under the Home Affairs Ministry of Mr Kibaki, and is chaired by Professor Mbithi, deputy vice-chancellor of the University of Nairobi.

Their recent well-attended conference—an event in itself remarkable—stressed the need for further encouragement of a national population programme.

For the first time, sceptics are conceding that the Government may mean business. The aid official says: "During the 1980s, Kenya could enter an historical phase of fertility decline." And he argues that a reduction of the fertility rate from about eight children to four children per woman is a practical target for the year 2000.

He calculates the cost would be the equivalent of $38m, or about 15 Kenya shillings per capita per year. This may be an ambitious target, but as one leading aid donor concerned about the consequences of failure to stem the population explosion put it: "The alternative is too ghastly to contemplate."

Faster container turnround needed

SHIPPING of exports inland in Kenya should become faster over the next few years if recent developments in the movement of freight containers are allowed to achieve their full potential.

Improvements in freight-handling at Kenya's main port, Mombasa, and the opening this summer of the country's first inland container depot at Embakasi, on the outskirts of Nairobi are, both intended to boost container traffic movements by easing congestion and speeding Customs clearance.

The big "if" applying to both, though is whether better physical facilities will be followed by related improvements in back-up systems and paperwork. Experience so far suggests that failings in back-up are tending to nullify a lot of the intended advantages of the new developments.

In Mombasa, for example, a new container terminal was opened last year and a whole series of modern container-handling cranes, nine in all, were put into operation, with further equipment due to be added this year or next.

Already, however, users are reporting that lack of maintenance, slow repairs and a shortage of trained operators are putting much of the new equipment out of action for long periods.

"Although some of the new cranes are not much more than a year or 18 months old they are being hit by excessive downtime due to not being maintained properly," said one Nairobi-based observer.

"At present it can take 14-21 days to clear containers through Mombasa. Part of the reason is that some of the container-handling equipment is remaining unserviceable for long periods. It should be pointed out, though, that this is not the only reason for handling delays in the port—Customs can be rather slow as well."

The need for Mombasa to sort out its container-handling problems is illustrated by the continuing rise in box throughput, even though Kenyan trade as a whole is pretty static if not depressed. The number of containers handled at Mombasa rose from 44,000 TEUs (20-ft equivalent units) in 1981 to 84,000 in 1983, with a projected figure for this year of 105,000.

Mombasa is now well established as the focal point for many of the shipping trades to the whole of East Africa.

Next month, for example, a new container feeder operation to serve East African trades is due to start up, with Mombasa as its base. East Africa Feeder Line, as the operator will be known, plans to operate a Sea Containers-designed deckship to provide a regular service to the ports of Tanga, Dar es Salaam and Nacala, also calling at Mtwara, Zanzibar and adjacent Indian Ocean islands on inducement.

"The vessel, the San Juan, will primarily be employed carrying containers on a feeder basis between East African ports connecting with deep sea line ships at Mombasa," said EAFL president, Richard Siedle.

For exporters to Kenya itself,

Freight handling

PHILIP HASTINGS

a potentially more important development is that the long-awaited inland container depot at Embakasi, Nairobi, is at last ready to accept traffic.

Talked about since mid-1982, the depot appeared all set to open in February this year but became the subject of a bureaucratic wrangle between various authorities over Customs arrangements. That wrangle now appears to have been sorted out, although more than one observer voiced fears that new problems could arise once the depot gets into full swing.

The object of the Embakasi ICD, which has been designed to handle a container throughput rising to 80,000 TEUs a year over the first five years of operation, is to take the pressure off Mombasa port.

"About 80 per cent of Mombasa's container imports are destined for Nairobi and inland points," said the East African trade manager for Ellerman City Liners of the UK, Mr Patrick Barty. "Much of this is less than full container load traffic, and space restrictions, haulage and Customs delays at Mombasa have in the past tended to cause bottlenecks."

Ellerman is one of three British lines. The other two are T. and J. Harrison and Overseas Containers operating a fortnightly service between the UK and East Africa as part of the BEACON container service.

Basically, the plan is that Embakasi will receive containers by rail from the dockside at Mombasa. One or two trains a day, each carrying 100 TEUs stacked two-high on flat wagons, will run the 550 kms from the coast.

The boxes, which will be moved under Customs bond from Mombasa to Embakasi, will then be Customs cleared at the ICD before being moved on by consignee or carrier haulage.

Until recently there was some confusion over whether the ICD would be allowed to handle LCL (less than container load) boxes as well as FCLs (full container loads) but latest information suggests that it will be able to.

According to Mr Barty, the Embakasi development should be an important breakthrough for containerisation in Kenya and East Africa as a whole. It means trades can move away from a completely port-bound container-handling operation which has hitherto tended to negate the full benefits of containerisation.

"We shall be able to provide a better service for inland destinations in Kenya and at the same time relieve much of the pressure on Mombasa port," he said. "All that we as a shipping line need to know is whether a shipper requires movement to Embakasi rather than Mombasa."

The need for a depot like Embakasi is illustrated by the fact that it can still take 14-21 days to clear a container through Mombasa. When added to the voyage time this means a total transit from UK to consignee in Kenya of 35 days and often longer, especially if it is going to remote areas.

In theory, with the Embakasi depot operational it should now be possible for boxes to clear Mombasa in 48 hours and be taken by train straight to Embakasi. The big question still to be answered is whether this will simply transfer the clearance bottleneck from Mombasa to Embakasi.

When that question will be answered is also open to doubt, for although Embakasi is said to be fully equipped to deal with container traffic it has yet to handle any significant quantities.

The failure of the rains is sharpening the need to impove the income of farmers

Slow progress over policy reforms

Agriculture

PATTI WALDMEIR

EMACIATED carcasses of cattle are strewn across the ground outside Kenya's central abattoir at Athi River. Starved to death before they could reach the butcher's blade, they are among the victims of Kenya's worst drought in over 50 years.

Drought has darkened the country's agricultural prospects and now threatens almost every sector of the economy.

In many parts, seasonal rains have failed twice in succession. Some areas have registered less rainfall this year than at any time since record-keeping began and farmers are now anxiously awaiting the October-November "short rains" to see if the ordeal will abate.

Agricultural experts are unwilling to put odds on the prospects for the short rains, but they are convinced that even an adequate rainfall would still leave Kenyan agriculture reeling from a damaging blow.

Government officials bemoan the fact that drought has come at a time when there were some tentative but nonetheless encouraging signs of urgently needed agricultural reforms.

Higher output

Due largely to a boom in world prices of Kenya's two top foreign exchange earners, coffee and tea, farm output grew by a real 4.1 per cent last year, marginally exceeding the country's 4 per cent population growth rate and reversing the trend of declining per capita production registered since 1972.

Chief among the reforms were valuable price rises for the producers of domestic food crops, a courageous departure from the norm in Africa of sacrificing farmers' incomes to keep prices low for urban consumers.

The Finance Minister, Professor George Saitoti, emphasised this aspect of Government policy in a speech to a consultative meeting of donors in Paris last January. "Since 1981, maize prices have increased by 65 per cent, wheat pricᵉs by 51 per cent, rice prices by over 80 per cent and sugar cane prices by 67 per cent. The farmers, helped by favourable rains, have responded well to the improved production incentives," he said.

The Government's 1984 Economic Survey concedes that inflation in input and consumer prices during the same period vastly eroded these gains, leaving only a small real increase in farm incomes. Marketing arrangements for export crops —Kenya already practises a creditable policy of guaranteeing farmers a fair share of export proceeds — were also improved as long delays in payments to coffee growers were reduced.

But numerous policy reforms, identified as critical by Government planners as long ago as 1980, have remained on the drawing board.

While the good intentions of the Government are not in doubt, observers can point to little real progress towards reversing an alarming long-term decline in Kenyan agriculture. Agricultural economists point to several areas where the Government bas failed to act oo its own policy recommendations in a 1980 sessional paper on natiooal food policy.

Almost no progress has been made on the vexed issue of land tenure. Because of the political sensitivity of the issue, the Government bas been slow to act on the recommendations of its own development planners: that idle land should he taxed, subdivision of large farms legalised, and farmers provided with clear title to land to enable them to gain access to agricultural credit.

The domestic grain trade is still handicapped by movement restrictions which severely hamper transporation of grain from surplus-producing regions to areas in deficit. Failure to liberalise the grain trade—a key condition of Kenya's second World Bank structural adjustment loan—has soured relations with the bank, which has a $1.56bn portfolio in Kenya.

Little has been done to rationalise the often conflicting activities of the four Government ministries, 40 statutory boards, five national co-operatives and 70 commercial concerns with Government participation which share responsibility for agricultural policies and programmes.

Conflicting interests between the various bodies and a general lack of co-ordination have led to inefficient use of scarce resources.

Overshadowing all other concerns is Kenya's failure to slow the runaway population growth, which has accelerated from 3.5 per cent in the 1970s to 4 per cent now, registering the world's second highest growth rate after Zimbabwe.

According to the 1984-88 development plan, "Kenya's agriculture is at a crossroads." Yet few countries in Africa can have less of a margin for error in agricultural policy than Kenya, which will, by the year 2000, have 34m mouths to feed from a land which is 60 per cent semi-desert.

No surplus land

With almost no known mineral resources, Kenya relies on the land to produce 65 per cent of its foreign exchange earnings and to employ 75 per cent of its population. But, unlike most of sub-Saharan Africa, Kenya does not have a land surplus.

Only 9 per cent of land is classified as "high-potential" and a further 9 per cent "medium-potential." By the year 2000 high potential land will have shrunk to a mere 0.2 hectares per person from 0.75 hectares per person in 1975.

In the vast tracts of arid terrain which covers 20 per cent of Kenya's land mass, a recent World Bank study has shown, the soil can support only one person for every 189 hectares.

The import of these figures is chilling. According to a 1983 World Bank review of Kenyan agricultural reform: "If population growth does not slow down dramatically by the end of the century, the employment and development problem has no solution." It said.

The figures alone cast serious doubts on Kenya's ability to reach self-sufficiency in food, which is the cornerstone of Government agricultural policy. According to the same World Bank report, self-sufficiency would require a growth in agricultural output of 4 per cent a year, a rate which even the Government's own food policy paper of 1980 acknowledges has seldom been achieved anywhere in Africa.

But in the short term, Government planners must be preoccupied with measures for ensuring that drought does not turn into famine. Although the scale of the impending crisis is not publicised by the Government, which fears a wave of panic buying, behind the scenes its seriousness is fully recognised.

Donors believe that at least 1m people will be dependent on drought relief by next June or July. Donor officials welcome the Government's rapid reaction to the failure of this years' April to May long rains, contrasting it with a similar situation in 1980 when grain exports were continued even after the scale of food shortages had become clear.

This time the Government acted much more promptly and in June it wrote to donors outlining its grain import needs of 1.3m to 1.4m tonnes up to next July. This assessment was largely confirmed by an unpublicised United Nations Food and Agriculture Organisation (FAO) mission to Kenya in August.

Government and donor agricultural experts estimate that drought could reduce cereals output on the farms of the Rift Valley (Kenya's "breadbasket"), 50 per cent of normal levels. Crops in central and eastern Kenya are likely to be decimated by the drought, with only a small fraction of normal output achieved.

Total wheat harvests are likely to fall sharply to under 100,000 tonnes from a provisional 242,000 tonnes last year. Maize crops could fall by nearly 1m tonnes to 1.25m from 2.2m last year, although adequate short rains might boost this figure to 1.5m tonnes.

Import arrangements concluded so far should be sufficient, when combined with the Government's strategic reserve, put at about 275,000 tonnes of maize last month, to ensure that demand is met until December 31.

Distribution cost

But the sheer logistics of moving the necessary 4,000 tonnes of imported grain per day from Mombasa port to the far-flung areas of Kenya will be a gigantic operation, involving what one official admitted were "heroic assumptions" about the efficiency of the railways, the condition of locomotives and lorries, and the financial means to meet the heavy K£250,000 per week cost of distribution.

Hoarding and panic buying by worried consumers could also disturb the orderly distribution of drought relief. Localised shortages, especially in Nairobi, have already aroused Press criticism, although Government stocks are still far from exhausted.

In spoiling the crops of the main foreign exchange earners, coffee and tea, drought will also hamper efforts to meet Kenya's expected $200m bill for commercial grains imports.

Crops of the main export, coffee, could be only half this year's record 125,000 tonnes, although large carryover stocks from last year's bumper crop should enable Kenya to meet its 83,000-tonne International Coffee Organisation (ICO) export quota.

Tea, which is now entering its peak production months, is expected to suffer less than coffee from the drought. Estimates range from 100m to 115m kg, just short of this year's record crop of 120m kg, depending on the abundance of the short rains.

Even if these rains start falling fast and heavy within weeks, there is little doubt that Kenya will be a grain-importing nation throughout next year. If they fail, Kenya could still be relying on imports well into 1986, making the elusive goal of self-sufficiency in food seem an even less realistic target.

Glyn Genin

Tea pickers weighing in the green leaves on an estate in the Aberdare range

Villagers' resilience pushed to the limit

The drought

MARY ANN FITZGERALD

THE CHATTERING women flock in their dozens, waving tin cans aloft, to a one-room wooden school building that clings to the edge of the El Sarta Plains in the Samburu district, sprawling some 150 miles to the north of Nairobi.

They have come to claim a ration of maize meal, the staple food of Kenya's poor, from Oxfam. Last year Lesirikan, a tiny one-street village typical of the remote rural areas of Kenya, was a thriving community.

Now the very fabric of its society is under severe strain as the villagers struggle against the onslaught of drought.

The school has become the focal point of the village since it was converted into a feeding centre. It was shut early last term and may not reopen this month because the single well, used by people living as far as 20 miles away, is drying up.

Collecting water for drinking and cooking (washing is a seldom-enjoyed luxury) has become a crucial and time-consuming chore.

As the sun rises over the Ndoto mountains, the first women clamber down a 15 ft hand-dug hole and vanish into its shadowy depths to sift tinfuls of brackish water from the sand. It is a laborious task, for the water table is almost depleted and the well yields no more than a puddle.

At midnight the last woman walks home in the moonlight with a few litres that will last her family as many days — if she is careful. These hardy mothers whose colourful bead necklaces cascade over their bare breasts are the bedrock of a nomadic society, but their resilience and endurance are being pushed to the limit.

Already many of Kenya's marginal areas, semi-arid regions that have yet to be touched by such basic amenities as piped water, electricity and public transport, are suffering from the failure of the long rains last April and May.

The Samburu are pastoral folk with a lifestyle unchanged since the last century. Most of them still live in mud-plastered huts, the more makeshift ones looking remarkably like upturned birds' nests.

Their way of life revolves round their cows, camels and goats, which provide a subsistence diet of blood, milk and — on special occasions only — meat. Now the cattle are dying in their thousands as grazing disappears, wiping out the villagers' livelihood.

For these and other Kenyan peasants, life is indeed precarious and quickly influenced by the caprices of the weather. The plight of the Samburu, as with other tribes-people in Northern Kenya, is further complicated by deep-seated traditions that even catastrophe cannot shake.

Livestock represent wealth. Slaughtering an animal, even if it is no more than a walking bag of bones, is comparable to burning banknotes in Nairobi.

Thus the Samburu have resorted to driving their cattle 100 miles or more across sun-scorched plains in search of new pastures. Many do not survive the trek. The dirt road that meanders over the lip of the Rift Valley from Maralal carries caravans of spear-bearing warriors driving their cattle southward. It is also lined with scores of dead animals that have been stripped to the bone by vultures.

Innovative

Last month Oxfam launched an innovative campaign which, if successful, could serve as a prototype for other charity organisations. A four-man team is distributing maize meal over hundreds of square miles to those people who are willing to slaughter their cattle in return for food.

Community leaders such as chiefs, catechists and schoolteachers are giveo the responsibility of exchanging 270 kg, worth 300 Kenyan shillings on the retail market, for each cow. The meat is then dried and handed back to the people as a supplementary food.

Families whose herds have been irretrievably depleted can earn food by doing work such as butchering and skinning the beasts. Sceptical at first of what seemed to smack of commercialism, the people now respond enthusiastically.

Non - governmental feeding schemes are being carried out elsewhere in Kenya. This month the African Medical and Research Foundation aod the International Community for the Relief of Starvation and Suffering (Icross) began a programme to give supplementary maize meal, dried skimmed milk, vegetable oil and sugar to malnourished children under the age of five

Over the next few mooths they hope to feed 30,000 children. If the drought worsens, these figures could double. But the projections are dependent on charitable dooations and the estimated monthly cost of the scheme is 2m Kenyan shillings.

Although these humane efforts are welcomed by the people who benefit, their outlook on life is still dominated by a strong streak of fatalism. "What will you do when you have no more cows to slaughter?" a visitor asked a Samburu woman sitting in the dust as she patiently awaited her ration of maize-meal.

She laughed and waved her hand: "God will provide," she said.

KENYA 7

Variable seasonal rainfall creates problems for coffee and tea growers

State body aids smallholders

Tea sector

PATTI WALDMEIR

DUCKING under a roof of tea branches and grass thatch, 60-year-old Nganga Biaru points to the orderly rows of fragile green tea cuttings inside the rough shelter and says simply: "When these grow my family will stop being poor."

He speaks of the prospects for his one-acre tea plot in the parched hills of Kenya's Central Province with a confidence and optimism rare among East African small farmers, too many of whom have seen their profits drain away year after year to subsidise urban food prices and finance the overstaffed, inefficient State marketing boards.

His optimism is based on the creditable 20-year record of the Kenya Tea Development Authority (KTDA), a semi-autonomous State institution which has become a regional model for developing small-scale agriculture and stimulating rural employment.

KTDA provides Mr Biaru and 145,000 fellow smallholders with a reliable flow of credit in kind: cuttings, fertilisers, technical advice and transport. More importantly, it pays them a price which is linked to the sale price of their tea on world markets.

This gives Kenyan small farmers a chance to benefit when world commodity prices boom. It also gives them a valuable stimulus to produce more and provides an important exception to the rule in Africa, where farmers all too often receive only a fraction of the proceeds from export sales.

Last year Kenyan tea production rose 25 per cent to a record 120m kg from 96m kg in 1982. The smallholders, competing with the large estates run by household names such as Brooke Bond, maintained their 40 per cent share of total output, producing a record 50 kg and selling it at an average price 40 per cent higher than in 1982.

Mr Biaru was a major beneficiary of the boom. KTDA sent him an end-of-season supplementary cheque of 10,000 shillings (about £520) to top up monthly fixed-rate payments of 1.5 shillings per kilogramme of green leaf plucked.

Cheques on time

As Mr Biaru gladly points out, both the monthly and yearly cheques always arrived at his farm on time, which is perhaps the most important factor in KTDA's success is aiding and encouraging Kenya's small tea growers.

"Our tea growers are confident that we will pay them regularly and this gives them almost the same security of income as salaried employees," says at KTDA spokesman.

Accountability and participation are also essential elements in KTDA's method of operation, according to Mr Richard Kemoli of the Commonwealth Development Corporation, a leading financial backer of KTDA which has also had an important advisory influence on its successful progress since it was formed after Kenyan independence in 1963.

Participatioo begins at the grassroots, where about one-in-10 growers owns shares in the local processing factory, and extends to the top of the organisation with growers holding a majority of eight seats on the 15-member KTDA board.

KTDA recently began a campaign to boost local participation still further, encouraging more farmers to buy 5-shilling shares while limiting individual shareholdings to keep cootrol out of the hands of the richer growers.

Payments arrive when they are needed and not after tha growing season has begun, as in much of African agriculture. The grower's crop is weighed promptly at collecting centres never more than three miles from his farm and he can rely on a high-quality consultancy service for advice on tea husbandry.

KTDA can provide an efficient service to the growers because it is run on businesslika lines, with a tight rein kept on overheads and a virtual guarantee of credit repayment.

Long-term credit

While growth in many other sectors of Kenyan agriculture is hampered by a high rate of default oo farm loans, KTDA ensures a steady flow of repayments plus finance charges by deducting credit charges from the grower's monthly cheque.

The grower gets the long-term credit he needs to finance investment in tea bushes, which can take years to reach full production.

Twenty years of such enlightened policies have paid off by making KTDA the largest single tea-growing authority in the world and have helped to raise tea from fourth to second place in the provincial table of foreign exchange earners, ahead of tourism and petroleum products.

The KTDA concept of smallholder developmeot and encouragement has been exported to Malawi, while Zimbabwe, India and Sri Lanka have all sent experts to Kenya to study its success.

With its main planning programme now completed, KTDA now faces another challenge: how to maiotain the growth in crop output by improving husbandry and bush yields rather than further expanding the acreage under tea in a country which suffers from a serious shortage of fertile land.

According to the Government's 1984 Economic Survey, smallholders' yields rose 30 per cent last year as a result of improved husbandry and favourable weather. KTDA claims that yields could still double, from less than 1 kg of green leaf ter per bush to 2 kg if growers could afford the labour to pluck all the leaves on every bush.

The current strong world demand, which has raised tha price of Kenyan tea to an average of nearly £2 per kg so far this year (more than twice the 1982 average) should give growers the means to hire the labour they need, KTDA believes.

KTDA directly or indirectly provides employment for about 1m of Kenya's 19.5m population and should, in the long run, make a significant contribution to reducing the current high levels of rural unemployment.

An increase in output this year is considered unlikely after the 25 per cent increase in 1983 over 1982 brought in tea-growing areas east of the Rift Valley, where 60 per cent of KTDA tea is grown. Total output is expected to fall by about 10 per ceot, unless the short rainy season due to begin later this month has more effect than many growers expect.

The best possible outcome would be a crop as heavy as last year's record 50m kg.

KTDA's autonomy may also be put under some pressure, for the Kenyan Government's policy of exercising tight control over management appointments and salary levels in all parastatal organisations could, io the long run, spoil the quality of KTDA management, not least by putting the authority at a disadvantage against its private sector competitors in attracting well-qualified staff.

DEVELOPMENT OF SMALLHOLDER TEA SECTOR

	Total hectares at end of year	Number of growers at end of year	Production of ready-made tea (tonnes)	Average size of holding per grower in hectares	Average yield per hectare in kg
1978-79	48,954	126,169	36,196	0.39	739
1979-80	51,420	129,912	31,018	0.40	603
1980-81	53,586	137,832	32,729	0.39	611
1981-82	54,693	143,017	35,547	0.38	650
1982-83	54,965	144,744	46,311	0.38	842

Source: Economic Survey, 1984.

Drought may halve crop

Coffee sector

PATTI WALDMEIR

THE COFFEE industry is likely to survive the country's worst drought in over 50 years, without many serious scars, despite predictions that output could drop by as much as 60 per cent on 1983-84 levels.

Timely rains throughout last year gave Kenya a record 1983-84 crop, estimated at 115,000 to 125,000 tonnes, and a record carryover stock expected to reach 50,000 to 60,000 tonnes. Traders and growers are now confident that Kenya will be able to export a large proportion of this carryover.

The carryover will give Kenya the cushion it needs to meet its International Coffee Organisation (ICO) export quota for 1984-85, despite a crop which is likely to fall below the current 83,000 tonnes quota because of drought.

If it were not for the drought, Kenya would have been forced to stockpile large amounts of coffee for the first time in its history. Storing coffee for more than 12 months is costly, and would erode the traditional premium enjoyed by top quality Kenyan coffee on world markets.

"The drought is actually coming to Kenya's rescue," said a local coffee broker. "The thought that this year's crop could have been followed by an average crop is quite frightening."

The 1983-84 season has been what one trader described as "near perfect" for the coffee industry, with output rising 45 per cent from the 1982-83 figure of 86,000 tonnes and prices holding firm in the $1.59 to $1.61 per pound range.

No figures are yet available for 1984 export earnings, but the K£160m contribution made by coffee, Kenya's largest export earner, to 1983 earnings is certain to be substantially bettered this year.

Prospects for next year's crop are much less bright. Main crop flowering was hard hit by the lack of rain in many of the main coffee-growing areas, with some areas registering less rain than at any time since record-keeping began.

Growers are now anxiously awaiting the beginning of the "short rains" season at the end of this month and uncertainty about the amount that will fall makes crop forecasting extremely difficult.

Most traders and growers believe that a heavy rainfall in October and November would lift crop output well above the 50,000 to 60,000 tonnes level which is at the bottom range of most forecasts. But few predict that the crop will exceed the 83,000 tonnes current ICO quota.

ICO quota

Government officials admit that drought predictions may hamper Kenya's current attempts to oegotiate a higher export quota within the ICO. They stress that the drought is not expected to have any major long-term impact oo crops, although some localised damage may occur ou smallholdings where trees are geoerally less healthy.

The long-term prospect is for a crop in the 100,000 to 120,000 tonnes range. Although the potential maximum crop could be put at 150,000 tonnes, most coffee experts consider this year's 125,000 tonnes crop—which one broker said was the result of "a magical cocktail of perfect conditions,"—might be the peak.

Government efforts to cut payment delays to farmers, some as long as one year, have so far proved a strong production incentive. Unlike most other coffee-growing countries, Kenya passes oo a large proportioo of its export proceeds to its growers instead of using the surplus to subsidise national spending.

Introduction of a disease-resistant Robusta tree, which is now the subject of Government research, could significantly change the outlook for Kenya coffee but only in the long term, officials say.

Boom in exports to Europe

Horticulture

PATTI WALDMEIR

NAIROBI Central Market strikes the visitor as a cornucopia of brilliantly coloured tropical fruits and vegetables, ranging from the richly sensuous mango to that horticultural ugly ducking the shrivelled granadilla or passion fruit.

Tourists struggle into homeward-bound airlines clutching traditional loosely-woven baskets bulging with exotic produce. Besides this informal trade, formal exports of fresh fruit, vegetables and cut flowers to Europe and the Middle East are booming.

Horticultural export earnings rose to K£17.5m last year from negligible levels in 1970, making such produce Kenya's third-largest agricultural export earner after tea and coffee.

Over half of this trade is with Britian, where Kenya has captured a large share of the market for French beans, with Asian vegetables, fresh pineapples, mangoes, avocados, chillies and courgettes also doing their bit to brighten UK supermarket shelves.

But industry experts fear that transport problems could severely hamper the continued expansion of the industry, which provides a welcoma income boost for the small subsistence farmer and employs a high concentration of labour per hectare in a country with massive rural unemployment and a serious land shortage.

Nearly all of Kenya's horticultural exports are now sent by air, mainly on scheduled passenger flights on a space-available basis. Government attempts to help the young industry by limiting contract air freight rates for the produce bave backfired, leaving horticultural exporters unable to compete for scarce aircraft space with other exporters who are not subject to controls.

Perishable cargo

Mr George Mwicigi, Assistant Agriculture Minister, said recently that an average of 400 tonnes of produce is destroyed every week at Nairobi Airport because of the shortage of aircraft space.

This often results in perishabla cargoes being unloaded from an aircraft at the last minute, and has allegedly caused corruption among some airline officials who demand large bribes before they will find stowage space.

Rules requiring charter airline companies to guarantee 75 per cent cargo space for horticultural products on northward flights so as to gain a charter licence have bad little impact because of a decline in applications for pew licences.

A recent International Trade Commission report on the industry recommeoded that with air freight costs absorbing some 40 per cent of gross earnings, Kenya must concentrate growing on harder crops like pineapples and mangoes which can withstand long sea voyages without perishing and on high-priced fruits which will justify the expense of air freight.

Kenyan exports of fresh pineapples have declined sharply recently because cheaper sea-freigbted fruit from the Ivory Coast and South Africa have captured traditional markets.

Exports of canned pineapples, however, have risen steadily from 40,000 tonnes in 1982 to 48,000 tonnes last year.

The growers, who are dominated by private smallholders and companies, also complain that the lack of export rebates for fruits and vegetables and high duties on irrigatoon equipment aod other esseotial gear are also seriously discouraging expansion.

Exports of fresh horticultural produce

	Volume '000 tonnes	Value K£'000
1979	21.3	9,736.9
1080	22.3	11,353.0
1981	23.3	12,580.6
1982	24.6	13,633.9
1983	28.9	17,528.6

Source: Kenya Central Bureau of Statistics, 1984.

Despite its problems Kenya is one of the safest and most hospitable countries in Black Africa

Nairobi: well-suited for the needs of business visitors

Warm welcome in Nairobi

Business guide
MARY ANN FITZGERALD

NAIROBI IS possibly the easiest city in black Africa in which to conduct business. Visitors are given a warm reception and English is one of the country's two official languages—the other is Swahili.

Kenya's broadly capitalist society is reflected in the international hotels and restaurants, the eagerness of shop owners and street hawkers to sell curios and gifts, and the efficiency of most offices. Trips go more smoothly, however, if appointments are planned in advance, preferably with the assistance of a contact in Nairobi.

The telephone system is more reliable than in most of Africa, but visitors are still frustrated by overloaded hotel lines. The commercial community tends to receive visitors at the drop of a hat, but ministries expect more formal procedures. Senior officials appreciate reasonable warning of impending visits and you may have to wait a few days for appointments.

Communications are good by African standards. All big hotels have telex machines. The central post office on Kenyatta Avenue also provides a courteous and speedy 24-hour telex facility.

Several flights to European capitals leave Jomo Kenyatta international airport—about 20 minutes from the city centre—each day.

The city centre's profile of high office blocks interspersed with occasional palm-lined avenues evokes a reassuring atmosphere of reliability. This is reinforced by the wide range of services at leading hotels, including the Intercontinental—specially responsive to the businessman's needs — the Nairobi Mount Kenya Safari Club, The Hilton and The Norfolk—a pleasant, pubby place that is almost a national monument.

In spite of the relaxed ambience, visitors should adopt normal precautions. Leave valuables in the hotel safe rather than lying around the room, and stay away from unlit streets at night. Pickpockets, especially around the market on Muindi Mbingu Street (well worth a visit), are a problem.

Nairobi has a sunny climate most of the year, but bring a sweater if you plan to visit the highlands. During the rainy months — April, May and November—you will need an umbrella.

Drinkable tap water

No need to take taxis in the city centre as everything is within walking distance. The tap water is safe to drink, but visitors should take malaria pills. If you are going to the coast, consult a doctor for the correct prescription, as a particularly virulent strain of malaria exists there.

There are several good restaurants including Marino's (Tel. 27150), Bobbe's Bistro (Tel. 21152), The Carnivore for meat, and The Tamarind for oysters and shellfish. Two good Indian restaurants are the Minar, Moghlai dishes from northern India and the Mayur (delicate Gujerati vegetarian cuisine).

For weekends, visit the Nairobi National Game Park, a few minutes from town, and Bomas of Kenya to watch choreographed tribal dancing. Governor's Camp in the Masai Mara is an ideal overnight safari. It is half an hour by plane, and you sleep in luxurious tents.

Main Ministers and Permanent Secretaries

Office of the President. Tel: 27411. Chief Secretary and head of the Civil Service, Mr S. Nyachae. Vice-President and Minister of Home Affairs, Mr Mwai Kibaki. Tel: 28411. Permanent Secretary, Mr D. Mwiraria. Minister for Finance and Planning, Prof George Saitoti. Tel: 338111. Permanent Secretary, Mr H. Mule. Minister of Agriculture and Livestock Development, Mr Odongo Omamo. Tel: 120030. Permanent secretary, Mr D. Nama. Minister of Foreign Affairs, Mr Elijah Mwangale. Tel: 334433. Permanent secretary, Mr B. Kiplagat. Minister of Commerce and Industry, Mr Andrew Omanga. Tel: 28411. Permanent secretary, Mr J. W. Gidhuku. Minister of Tourism and Wildlife, Mr Maina Wanjigi. Tel: 331030. Permanent secretary, Mr J. Kithi. Minister of Transport and Communications, Dr Masaku Mango. Tel 721022. Permanent secretary, Mr W. P. Wambura. Minister of Works, Mr Arthur Magugu. Permanent secretary: Mr J. A. Gethenji.

Bibliography

The Kenyan Government's publications, frank, and well written, are obtainable from the Government printer: Development Plan 1984-1988, Economic Survey 1984.

The Central Bank publishes an annual report and quarterly reviews. Two World Bank studies are worth reading: Kenya—Population and Development (Washington, 1980) and Kenya—Growth and Structural Change (1983).

Essential reading is the weekly review, edited by Hilary Ngweno, with comprehensive, well-informed coverage of Kenyan affairs.

Embassies

British High Commission. Tel: Tel 335944. Canada, 34033. France, 28373. U.S. 334141/334150. EEC, 333592. Sweden, 29042-5. West Germany, 26661/2662-3. Japan, 332955.

Exchange rate

Sterling £1=19.2 Kenya shillings. U.S.: $1=14.531. Kenya pound=20 Kenya shillings.

Currency

Visitors must complete a currency declaration on arrival and should retain exchange receipts. Kenyatta International Airport banks will change Kenyan notes back into major currencies when the form and receipts are produced.

Hotels

Intercontinental: Telex 22631, Tel 335550. Hilton: Telex 22252, Tel 334000. Norfolk: Telex 22559, Tel 335422. Serena: Telex 23377, Tel 337978. New Stanley: Telex 22223, Tel 333233.

Banks

Central Bank: Haile Selassie Avenue, Tel 26431. Barclays, Standard Bank of Credit and Commerce, Citibank, First National Bank of Chicago, Grindlays and Habib banks are represented in Nairobi. Travellers cheques are changed at banks and hotels, and American Express has a Nairobi office in Standard Street.

AIRLINES:

Kenya Airways, Tel 29291/822171. British Airways, Tel 334362/334440. Swissair, Tel 331012. Pan Am, Tel 23581. Transworld, 24036/20265. Lufthansa, Tel 335819/26271. KLM, Tel 332673/74/75.

RESTAURANTS:

Marino's, International Lifehouse, Tel 27150. Jardin De Paris, French Cultural Centre, Tel 336435. Bobbe's Bistro, Tel 21152. Red Bull, Tel 28045.

INVESTMENT ADVICE:

Adam H Ali, Director, Investment Advisory and Promotion Centre, National Bank of Kenya Building, Tel 21401.

Record number of visitors expected

Tourism
ROBERT SHAW

THE TOURIST industry of Kenya, which offers some of Africa's best beaches and game parks, expects a record year.

With the revival of Western economies and the unprecedented strength of the U.S. dollar, it is likely that the number of tourists, each staying an average of two weeks, will set a record this year.

It is expected to be as much as 11 per cent higher than last year's 360,000 and ensure that tourism remains the third largest foreign exchange earner (K£122m in 1983).

A major factor which contributed to last year's slump was the abortive coup attempt in August 1982, which hardly affected bookings for 1983 at a time when the industry was already suffering from a serious recession.

But when Mr Maina Wanjigi took over as Tourism and Wildlife Minister last October he had more than the effects of the coup attempt to contend with.

The finances of many hotels, including the state-owned African Tours and Hotels (ATH) were shaky, relations between the Government and the industry were poor, and the impact of Kenya's suspension of charter flights from the UK in 1981 was still felt.

The coast was especially hard-hit. Last year West German visitors, who are the mainstay of the beach hotels, were 6.5 per cent fewer than in 1982 while the number of UK visitors fell by 10 per cent.

Overall occupancy hovered around 50 per cent and 157,000 fewer beds were occupied in 1983 than 1982. Nairobi also felt the impact: the Kenyatta Centre, Africa's largest conference facility, registered a disappointing 20 per cent of capacity.

UK charter flights

The first few years of the 1980s saw little new investment in the tourist industry and several large concerns reassessed their role. Block Hotels, for example, decided early last year to pull out of River Lodge, Samburu, and Sinbad Hotel, Malindi.

African Tours and Hotels, which currently manages 15 hotels, has not shown a profit since 1977 and has had serious management problems. Mr Wanjigi has already sacked almost the entire ATH top management in an attempt to regain profitability.

But far more critical for tourism's future is the vexed issue of UK charter traffic, which offers by far the largest potential for growth.

In a protectionist move aimed at stimulating Kenya Airways bookings on the London-Nairobi route, the Government in March 1981 did not renew the charter licence of British Airtours. That company had played a big part in boosting the number of nights spent by British tourists at beach hotels in 1980 by 42 per cent over 1979—a startling indication of what could be done in the UK market.

In 1981, after British Airtours' licence lapsed, UK visitors to the Kenyan coast diminished sharply.

Resumption of the charter business would be lucrative. Switzerland, for example, which does operate charters to Kenya, last year sent 28,000 visitors out of a total population of 6.4m.

The industry hopes that tha Government may soon soften its line on air charters. Although British Airways (which together with Kenya Airways operates the existing services), British Caledonian and Britannia Airways have all had their charter applications deferred twice so far, there is a good chance, say industry officials, that one or possibly two of the applications may soon be approved.

Without such a move Kenya has little hope of reaching Mr Wanjigi's target of 1m tourists a year by 1988. Even then, Kenya would have to make a big increase in the existing facilities, which now have a maximum capacity of about 720,000 tourists a year.

Mr Wanjigi is keen to attract tourists from Japan and the Middle East and has set up the Kenya Tourism Marketing Board to co-ordinate efforts with private sector tour firms in an attempt to capture new markets.

Safari de luxe at £250 a day

"WE ALWAYS use proper cutlery, porcelain crockery and nothing plastic—and most certainly not paper napkins," says Prince Sapeleha, a former white hunter and now one of Kenya's luxury camping safari operators.

Prince Sapeleha applies the exacting standards of the pre-war Polish aristocracy into which he was born to guarantee his clients—mostly rich Americans, with the occasional international celebrity—the rare combination of the excitement of the big game safari and many of the creature comforts of a top class hotel.

He, and a number of other small private operators, provide for the whims of the rich and eccentric who pay an average of £250 a day (exclusive of liquor) for their custom-built safari — complete with hot water, an unfailing supply of ice and, for the true connoisseur, a small private swimming pool and a selection of vintage European wines with every lunch and dinner.

They have adapted the old East African tented safari, the method of travel practised since colonial times 90 years ago by Kenya's celebrated white hunters, to the demands of 20th century Kenya and the highly mobile rich.

After a tiring day photographing and filming elephant, lion and other fauna (the threat of extinction for many wild animals forced Kenya to ban big game hunting with rifles in the late 1970s) these well-heeled tourists are motored back to a camp site hustling with servants, whisky on the rocks, a blazing log fire and a dinner which, if not quite an evening dress affair of Ritz standard, is nonetheless far from Wagon Train.

If the price is right the operator will even lay on a small army of cooks to prepare, as on one recent safari, an entire wedding feast. Only one sleeping tent was required for this one, however. Parents and guests were packed off back to Nairobi after the ceremony.

The logistics of mounting such a safari are staggering, requiring a small convoy of lorries laden with paraffin-powered freezers stocked with steaks, plus hurricane lamps, stoves, baths and the guests' luggage sealed in dust-proof containers.

According to Sol Rabb, of Ker Downey Safaris, the romance and glamour of such expeditions has sparked a revival in tourist interest over the past three years.

Recent weeks have seen a number of famous names on the Kenyan safari trail: Charlton Heston, the author Wilbur Smith and the young film actress Brooke Shields, whose visit was filmed as part of the television programme "The Lives of the Rich and Famous" seen by an estimated 138m people across the U.S.

It gives both Kenya and Kenyan tourism in general a valuable boost in this up-market sector of the industry, which is no small foreign exchange earner in its own right.

Ker Downey alone, with a nucleus staff of 50, brought in over £500,000 last year and is aiming for £1m this year.

ROBERT SHAW